



Greater Tzaneen Municipality
Financial statements
for the year ended 30 June 2016

Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2016

General Information

Legal form of entity

Municipality

Nature of business and principal activities

Greater Tzaneen Municipality is a local municipality performing the functions as set out in the constitution (Act no 105 of 1996).

GTEDA is a municipal entity performing the functions consistent with that of an entity.

Jurisdiction within which the Municipality operates

The Greater Tzaneen Municipality is situated in the eastern quadrant of the Limpopo Province in the Mopani District Municipality Area of Jurisdiction. It comprises a land area of approximately 3240 km², and extends from Haenertsburg in the west, to Rubbervale in the east (85km), and just south of Modjadjiskloof in the north, to Trichardtstal in the South (47km).

Executive committee

Mayor

Councillor DJ Mmetle

Members of the Executive Committee

Councillor DJ Mmetle

Councillor MN Mboweni (Finance)

Councillor M Makwala (Sport, Recreation, Art and Culture)

Councillor RE Pohl

Councillor GE Ntimbane (Special Programmes)

Councillor RR Selomo (Infrastructure)

Councillor ML Hlangwane (Health, Environment and Social Development)

Councillor B Sekgotodi (Public Transport and Safety and Security)

Councillor ML Ncha (Economic Development, Housing and Spatial Development Plan)

Councillor NM Mahasha (Corporate Gov. and Shared Services)

Councillor C Machimane (Speaker)

Councillor MG Mangena (Chief Whip)

Greater Tzaneen Municipality

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General Information

Ordinary Councillors

Councillor TK Nukeri (MPAC Chairperson)
Councillor C Baloyi
Councillor KO Banyini
Councillor M Mokgomole
Councillor AJ van Vuuren
Councillor MM Letsoalo
Councillor MD Mabape
Councillor G Mabuza
Councillor C Nkwashu
Councillor S Mahori
Councillor MR Makhudi
Councillor SC Makwala
Councillor SJ Nkuna
Councillor A Makwela
Councillor C Mamogale
Councillor MS Maunathala
Councillor SP Masetla
Councillor BM Mashava
Councillor NA Masila
Councillor L Matita
Councillor M Sabela
Councillor M Mbhalati
Councillor MS Mboweni
Councillor DQ Mhlari
Councillor MD Hlangwini
Councillor MM Mmola
Councillor TS Manyama
Councillor MM Mohale
Councillor L Mohale
Councillor T Mokgobi
Councillor MJ Mokgoloboto
Councillor ST Mushwana
Councillor M Malebati
Councillor M McNeil
Councillor MR Shingange
Councillor ND Ndhlovu
Councillor D Maake
Councillor DL Ndove
Councillor GG Nghondzweni
Councillor RP Nghonyama
Councillor P Machete
Councillor S Mbhalati
Councillor B Mashele
Councillor J Mothiba
Councillor ML Pudikabekwa
Councillor MS Raganya
Councillor PJ Ramodipa
Councillor ME Ramolefo
Councillor NR Rikhotso
Councillor ML Mhlongo
Councillor N Nkwashu
Councillor MH Magoro
Councillor M Sibiya
Councillor M Valentine
Councillor NH Zandemela

Grading of local authority

Grade 4: High Capacity

Chief Finance Officer (CFO)

Norah Mokgadi Lion

Accounting Officer

Selemo Republic Monakedi

Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2016

General Information

Registered office	38 Agatha Street Civic Center Tzaneen 0850
Business address	38 Agatha Street Civic Center Tzaneen 0850
Postal address	PO Box 24 Tzaneen 0850
Bankers	ABSA
Website address	www.tzaneen.gov.za
Audit committee	SA Ngobeni (Chairperson) HN Masedi L Lankalebalela JM Mofokeng
Level of rounding	Rounding to the nearest Rand
Auditor	Auditor General of South Africa (AGSA) Polokwane Office Telephone Number: 015 283 9338

Greater Tzaneen Municipality

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Abbreviations

GTEDA	Greater Tzaneen Economic Development Agency
SETA	Sector Education and Training Authority
DBSA	Development Bank of South Africa
SALGA	South African Local Government Association
GRAP	Generally Recognised Accounting Practice
IMFO	Institute of Municipal Finance Officers
MEC	Member of Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSIG	Municipal Systems Improvement Grant
EPWP	Expanded Public Works Programme
GTM	Greater Tzaneen Municipality
VAT	Value Added Tax

Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2016

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2017 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The financial statements are prepared on the basis that the municipality is a going concern and that the Greater Tzaneen Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, the municipality's external auditors are responsible for expressing an opinion of the financial statements, which opinion is attached to the financial statements.

The financial statements set out on pages 7 to 96, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2016 and were signed on its behalf by:

Selemo Republic Monakedi
Municipal Manager

Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2016

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2016.

1. Review of activities

Main business and operations

The Greater Tzaneen Municipality is situated in the eastern quadrant of the Limpopo Province within the Mopani District Municipality Area of Jurisdiction. It comprises a land area of approximately 3240 km, and extends from Haenertsburg in the West, to Rubbervale in the East (85km), and just South of of Modjadiskloof in the North, to Trichardsdal in the South, (47 km).

The operating results for the year were satisfactory for the following reasons:

Financial review

This review highlights the Municipality's performance for the past year but does not in any way attempt to provide detail of the performance. Full detail appear in the annual financial statements.

Overview of the Municipality's Results:

The Municipality's overall actual operating results against the corresponding approved budget figures are scheduled in Appendix E1 of the Annual Financial Statements.

The Statement of Financial Performance reflects a summary of income and expenditure items, while the segmental operating results per service are shown in appendix D of the annual financial statements. Over the past financial year the operating revenue increased from R 918,227,517 to R 1,084,442,040 while the operating expenditure increased from R 882,838,637 to R 1,057,270,079.

The Municipality reported a net operating surplus of R 24,036,938 (2015 R 33,300,814), for the financial year under review.

The main revenue sources of the Municipality are:

- Property rates;
- Service charges and
- Government grants and subsidies

Whilst the highest expenditure items are:

- Employee related costs;
- Bulk purchases and
- Repairs and maintenance

Council has embarked on implementing a range of revenue collecting strategies to optimise the collection of debt owned by consumers. The outstanding consumer debtors as at 30 June 2016 amounts to R 324,325,388 (2015: R 278,686,574) of which R 207,233,176 (2015: R 163,056,873) were impaired. Indigent debtors to the amount of R 5,699,788 (2015: R 4,771,482) have been written off as uncollectable. The total provision for impairment increased from R 163,056,873 in the previous financial year to R 207,233,176 in the current financial year.

Unspent conditional grants and receipts decreased from R 60,435,514 (2015) to R 19,434,127 in the 2015/2016 financial year with a 100% spending on the Municipal Infrastructure Grant. All grant funding allocated to the Municipality with the exception of R 1 999 999 due to poor performance on the Neighbourhood Grant and the MSIG have been received.

With regards to expenditure management the cost containment measures approved by Cabinet on 23 October 2013 have been introduced through the 2014/2015 budget process and are complied with.

The outstanding loans which have been taken-up to finance capital projects amount to R 155,491,448 (2015: R 107,631,295) and the detail of this amount is contained in Note 13 and Appendix A.

2. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2016

Accounting Officer's Report

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Election of Councillors

The election of councillors took place during August 2016 and a detailed list of councillors and political management is available at the municipality for inspection.

5. Accounting Officer

The accounting officer of the municipality at the date of this report is as follows:

Name	Nationality
Selemo Republic Monakedi	South African

6. Auditors

Auditor General of South Africa will continue in office for the next financial period.

Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2016

Statement of Financial Position as at 30 June 2016

Figures in Rand	Note(s)	2016	2015 Restated*
Assets			
Current Assets			
Inventories	3	16,143,576	17,368,355
Other financial assets	4	2,145,732	1,483,913
Operating lease asset	5.2	96,890	117,080
Receivables from exchange transactions	6	183,252,042	160,857,842
Receivables from non-exchange transactions	5.1	45,153,383	23,132,759
Consumer debtors	7	117,092,212	115,629,701
Cash and cash equivalents	8	54,369,420	27,977,498
		418,253,255	346,567,148
Non-Current Assets			
Investment property	9	194,099,000	189,945,000
Property, plant and equipment	10	1,616,492,911	1,659,175,727
Intangible assets	11	581,125	840,181
Other financial assets	4	20,939,720	7,557,365
		1,832,112,756	1,857,518,273
Total Assets		2,250,366,011	2,204,085,421
Liabilities			
Current Liabilities			
Other financial liabilities	12	27,864,801	13,122,036
Finance lease obligation	13	253,825	576,879
Payables from exchange transactions	14	152,027,852	146,385,129
VAT payable	15	29,844,327	29,626,345
Consumer deposits	16	23,146,904	21,032,333
Unspent conditional grants and receipts	17	19,434,127	60,435,514
Provisions	18	688,535	2,488,580
		253,260,371	273,666,816
Non-Current Liabilities			
Other financial liabilities	12	127,626,647	94,509,259
Finance lease obligation	13	-	253,826
Employee benefit obligation	19	85,763,760	76,324,822
Provisions	18	3,823,570	3,475,973
		217,213,977	174,563,880
Total Liabilities		470,474,348	448,230,696
Net Assets		1,779,891,663	1,755,854,725
Accumulated surplus		1,779,891,663	1,755,854,725

* See Note 60

Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2016

Statement of Financial Performance

Figures in Rand	Note(s)	2016	2015 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	20	450,104,468	406,980,708
Rental of facilities and equipment		1,333,677	1,188,589
Interest received (trading)	53	12,312,153	12,057,486
Agency services		8,004,170	7,205,556
Licences and permits		721,783	711,014
Other income	21	33,834,159	38,109,743
Interest received - investment	53	6,850,014	2,381,124
Total revenue from exchange transactions		513,160,424	468,634,220
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	22	74,146,340	74,098,025
Property rates - penalties imposed	22	5,186,759	5,368,139
Transfer revenue			
Government grants & subsidies	23	456,451,570	331,007,220
Fines	54	35,496,947	39,119,913
Total revenue from non-exchange transactions		571,281,616	449,593,297
Total revenue	25	1,084,442,040	918,227,517
Expenditure			
Employee related costs	26	258,534,208	244,948,966
Remuneration of councillors	27	21,089,938	20,078,193
Loss on inventory		-	98,966
Depreciation and amortisation	57	122,677,802	118,190,284
Impairment of assets	29	2,441,031	1,906,738
Finance costs	30	10,813,753	10,485,721
Debt Impairment	58	63,863,738	35,787,880
Collection costs		2,151,410	358,549
Repairs and maintenance	31	25,458,155	31,331,658
Bulk purchases	32	301,974,600	267,856,116
Contracted services	33	38,524,348	39,993,887
Grants and subsidies paid	34	130,745,851	34,272,086
General expenses	35	78,995,245	77,529,593
Total expenditure		1,057,270,079	882,838,637
Operating surplus		27,171,961	35,388,880
Loss on disposal of assets	55	(1,989,023)	(1,753,066)
Fair value adjustments	52	(1,146,000)	(335,000)
		(3,135,023)	(2,088,066)
Surplus for the year		24,036,938	33,300,814

* See Note 60

Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2016

Statement of Changes in Net Assets

Figures in Rand	Notes	Accumulated surplus	Total net assets
Opening balance as previously reported		1,747,697,668	1,747,697,668
Adjustments			
Correction of prior period errors	60	(25,143,757)	(25,143,757)
Balance at 01 July 2014 as restated*		1,722,553,911	1,722,553,911
Changes in net assets			
Surplus for the year		33,300,814	33,300,814
Total changes		33,300,814	33,300,814
Opening balance as previously reported		1,737,749,397	1,737,749,397
Adjustments			
Correction of prior period errors	60	18,105,328	18,105,328
Restated* Balance at 01 July 2015 as restated*		1,755,854,725	1,755,854,725
Changes in net assets			
Surplus for the year		24,036,938	24,036,938
Total changes		24,036,938	24,036,938
Balance at 30 June 2016		1,779,891,663	1,779,891,663

* See Note 60

Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2016

Cash Flow Statement

Figures in Rand	Note(s)	2016	2015 Restated*
Cash flows from operating activities			
Receipts			
Taxation		64,262,938	68,285,946
Sale of goods and services		497,523,860	461,984,716
Grants		428,926,506	363,774,065
Interest income		6,850,014	2,381,124
		<u>997,563,318</u>	<u>896,425,851</u>
Payments			
Employee costs		(270,185,208)	(252,486,182)
Suppliers		(633,945,548)	(485,887,181)
Finance costs		(10,483,225)	(10,287,956)
		<u>(914,613,981)</u>	<u>(748,661,319)</u>
Net cash flows from operating activities	36	<u>82,949,337</u>	<u>147,764,532</u>
Cash flows from investing activities			
Additions to property, plant and equipment	10	(172,840,500)	(258,618,403)
Transfer of property, plant and equipment	10	91,096,105	140,720,059
Additions to investment property	9	(6,700,000)	(9,348,000)
Additions to intangible assets	11	(542,641)	(934,641)
Additions to other financial assets		(14,044,174)	(1,371,108)
Loss on disposal of stands held for sale	55	(478,950)	(87,730)
Net cash flows from investing activities		<u>(103,510,160)</u>	<u>(129,639,823)</u>
Cash flows from financing activities			
Repayment of other financial liabilities		47,860,153	(12,014,681)
Finance lease payments		(907,408)	(1,954,571)
Net cash flows from financing activities		<u>46,952,745</u>	<u>(13,969,252)</u>
Net increase/(decrease) in cash and cash equivalents		26,391,922	4,155,457
Cash and cash equivalents at the beginning of the year		27,977,498	23,822,041
Cash and cash equivalents at the end of the year	8	<u>54,369,420</u>	<u>27,977,498</u>

* See Note 60

Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2016

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	483,425,954	-	483,425,954	450,104,468	(33,321,486)	Note 51
Rental of facilities and equipment	959,100	-	959,100	1,333,677	374,577	Note 51
Interest received (trading)	11,400,000	-	11,400,000	12,312,153	912,153	Note 51
Agency services	43,192,708	-	43,192,708	8,004,170	(35,188,538)	Note 51
Licences and permits	647,138	-	647,138	721,783	74,645	Note 51
Other income	6,030,496	-	6,030,496	33,834,159	27,803,663	Note 51
Interest received - investment	1,801,000	-	1,801,000	6,850,014	5,049,014	Note 51
Total revenue from exchange transactions	547,456,396	-	547,456,396	513,160,424	(34,295,972)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	61,583,274	-	61,583,274	74,146,340	12,563,066	Note 51
Property rates - penalties imposed	5,000,000	-	5,000,000	5,186,759	186,759	
Transfer revenue						
Government grants	419,280,000	56,624,519	475,904,519	456,451,570	(19,452,949)	
Fines	3,705,136	-	3,705,136	35,496,947	31,791,811	Note 51
Total revenue from non-exchange transactions	489,568,410	56,624,519	546,192,929	571,281,616	25,088,687	
Total revenue	1,037,024,806	56,624,519	1,093,649,325	1,084,442,040	(9,207,285)	
Expenditure						
Employee cost	(269,728,265)	-	(269,728,265)	(258,534,208)	11,194,057	Note 51
Remuneration of councillors	(21,852,856)	-	(21,852,856)	(21,089,938)	762,918	
Depreciation and amortisation	(123,228,464)	-	(123,228,464)	(122,677,802)	550,662	Note 51
Impairment loss/ Reversal of impairments	-	-	-	(2,441,031)	(2,441,031)	Note 51
Finance costs	(9,155,937)	-	(9,155,937)	(10,813,753)	(1,657,816)	Note 51
Bad debts impaired	(20,583,459)	-	(20,583,459)	(63,863,738)	(43,280,279)	Note 51
Collection costs	(200,000)	-	(200,000)	(2,151,410)	(1,951,410)	Note 51
Repairs and maintenance	(23,794,681)	295,903	(23,498,778)	(25,458,155)	(1,959,377)	Note 51
Bulk purchases	(307,100,624)	-	(307,100,624)	(301,974,600)	5,126,024	
Contracted Services	(43,458,872)	1,250,000	(42,208,872)	(38,524,348)	3,684,524	Note 51
Grants and subsidies paid	(42,061,499)	(32,352,647)	(74,414,146)	(130,745,851)	(56,331,705)	Note 51
General Expenses	(98,569,933)	(1,545,903)	(100,115,836)	(78,995,244)	21,120,592	Note 51
Total expenditure	(959,734,590)	(32,352,647)	(992,087,237)	(1,057,270,078)	(65,182,841)	
Operating surplus	77,290,216	24,271,872	101,562,088	27,171,962	(74,390,126)	
Gain (Loss) on disposal of assets	2,300,000	-	2,300,000	(1,989,023)	(4,289,023)	
Fair value adjustments	-	-	-	(1,146,000)	(1,146,000)	
	2,300,000	-	2,300,000	(3,135,023)	(5,435,023)	
Surplus before taxation	79,590,216	24,271,872	103,862,088	24,036,939	(79,825,149)	

Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2016

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	79,590,216	24,271,872	103,862,088	24,036,939	(79,825,149)	

Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2016

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	18,127,132	-	18,127,132	16,143,576	(1,983,556)	Note 51
Other financial assets	1,587,787	-	1,587,787	2,145,732	557,945	Note 51
Operating lease asset	113,568	-	113,568	96,890	(16,678)	Note 51
Receivables from exchange transactions	181,377,620	-	181,377,620	183,252,042	1,874,422	Note 51
Receivables from non-exchange transactions	2,578,540	-	2,578,540	45,153,383	42,574,843	Note 51
Consumer debtors	89,460,709	-	89,460,709	117,092,212	27,631,503	Note 51
Cash and cash equivalents	12,342,983	5,820,812	18,163,795	54,369,420	36,205,625	Note 51
	305,588,339	5,820,812	311,409,151	418,253,255	106,844,104	
Non-Current Assets						
Investment property	180,377,000	-	180,377,000	194,099,000	13,722,000	Note 51
Property, plant and equipment	1,845,446,416	85,571,872	1,931,018,288	1,616,492,911	(314,525,377)	Note 51
Intangible assets	68,056	-	68,056	581,125	513,069	Note 51
Other financial assets	10,032,374	-	10,032,374	20,939,720	10,907,346	Note 51
	2,035,923,846	85,571,872	2,121,495,718	1,832,112,756	(289,382,962)	
Total Assets	2,341,512,185	91,392,684	2,432,904,869	2,250,366,011	(182,538,858)	
Liabilities						
Current Liabilities						
Other financial liabilities	14,552,662	-	14,552,662	27,864,801	13,312,139	Note 51
Finance lease obligation	-	-	-	253,825	253,825	Note 51
Payables from exchange transactions	155,555,801	-	155,555,801	152,027,853	(3,527,948)	Note 51
VAT payable	29,321,471	-	29,321,471	29,844,327	522,856	Note 51
Consumer deposits	20,636,179	-	20,636,179	23,146,904	2,510,725	Note 51
Unspent conditional grants and receipts	15,000,000	-	15,000,000	19,434,127	4,434,127	Note 51
Provisions	2,937,850	-	2,937,850	688,535	(2,249,315)	Note 51
	238,003,963	-	238,003,963	253,260,372	15,256,409	
Non-Current Liabilities						
Other financial liabilities	79,857,075	30,000,000	109,857,075	127,626,647	17,769,572	Note 51
Employee benefit obligation	71,667,528	-	71,667,528	85,763,760	14,096,232	Note 51
Provisions	3,550,548	-	3,550,548	3,823,570	273,022	Note 51
	155,075,151	30,000,000	185,075,151	217,213,977	32,138,826	
Total Liabilities	393,079,114	30,000,000	423,079,114	470,474,349	47,395,235	
Net Assets	1,948,433,071	61,392,684	2,009,825,755	1,779,891,662	(229,934,093)	

Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2016

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	1,948,433,071	61,392,684	2,009,825,755	1,779,891,662	(229,934,093)	Note 51

Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2016

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Taxation revenue	56,595,783	-	56,595,783	64,262,938	7,667,155	Note 51
Sale of goods and services	454,780,030	-	454,780,030	497,523,860	42,743,830	Note 51
Grants	419,280,000	-	419,280,000	428,926,506	9,646,506	Note 51
Interest income	6,960,700	-	6,960,700	6,850,014	(110,686)	Note 51
	937,616,513	-	937,616,513	997,563,318	59,946,805	
Payments						
Employee costs	(269,728,265)	-	(269,728,265)	(270,185,208)	(456,943)	Note 51
Suppliers	(534,323,787)	(28,057,097)	(562,380,884)	(633,945,548)	(71,564,664)	Note 51
Finance costs	(9,155,937)	(2,400,000)	(11,555,937)	(10,483,225)	1,072,712	Note 51
	(813,207,989)	(30,457,097)	(843,665,086)	(914,613,981)	(70,948,895)	
Net cash flows from operating activities	124,408,524	(30,457,097)	93,951,427	82,949,337	(11,002,090)	
Cash flows from investing activities						
Additions to property, plant and equipment	(122,812,469)	(30,000,000)	(152,812,469)	(172,840,500)	(20,028,031)	Note 51
Transfers from Work in Progress	-	-	-	91,096,105	91,096,105	
Proceeds on disposal of property, plant and equipment	2,300,000	-	2,300,000	-	(2,300,000)	Note 51
Additions to investment property	-	-	-	(542,641)	(542,641)	Note 51
Loss on disposal of property, plant and equipment written off	-	-	-	(6,700,000)	(6,700,000)	Note 51
Additions to other financial assets	-	-	-	(14,044,174)	(14,044,174)	
Loss on disposal of stands held for sale	-	-	-	(478,950)	(478,950)	
Net cash flows from investing activities	(120,512,469)	(30,000,000)	(150,512,469)	(103,510,160)	47,002,309	
Cash flows from financing activities						
Net movement on other financial liabilities	(14,552,662)	61,300,000	46,747,338	47,860,153	1,112,815	Note 51
Finance lease payments	-	-	-	(907,408)	(907,408)	Note 51
Net cash flows from financing activities	(14,552,662)	61,300,000	46,747,338	46,952,745	205,407	
Net increase/(decrease) in cash and cash equivalents	(10,656,607)	842,903	(9,813,704)	26,391,922	36,205,626	Note 51
Cash and cash equivalents at the beginning of the year	23,000,000	4,977,498	27,977,498	27,977,498	-	Note 51
Cash and cash equivalents at the end of the year	12,343,393	5,820,401	18,163,794	54,369,420	36,205,626	

Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements: Accounting Policies

1. Basis of preparation

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Rounding

All financial figures have been rounded off to the nearest Rand.

1.3 Going concern assumption

These financial statements have been prepared based on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Trade receivables and loans and receivables

The municipality assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Subsequent to initial measurement, investment property is measured at fair value. The fair value of investment property reflects market conditions at the reporting date, determined by the external valuator.

Notes to the Financial Statements: Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including production estimates, supply demand, together with economic factors such as inflation interest and economic conditions.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 19.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Notes to the Financial Statements: Accounting Policies

1.5 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

Once the municipality becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Derecognition

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements: Accounting Policies

1.6 Property, plant and equipment (continued)

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Infrastructure	Straight line	
• Roads and paving		10 -30
• Pedestrian malls		20
• Electricity		10 - 30
• Water		15 - 20
• Sewerage		15 - 20
• Housing		30
Community	Straight line	
• Improvements		30
• Recreational facilities		20
• Security		3 - 5
Other assets	Straight line	
• Buildings		30
• Specialist vehicles		20
• Other vehicles		5 - 7
• Office equipment		3 - 5
• Furniture and fittings		7 - 10
• Watercraft		15
• Bins and containers		5 - 10
• Specialised plant and equipment		5 - 15
• Other items of plant and equipment		5

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

Notes to the Financial Statements: Accounting Policies

1.7 Intangible assets (continued)

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	3 - 5 years

Derecognition

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Notes to the Financial Statements: Accounting Policies

1.8 Financial instruments (continued)

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Consumer debtors	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other financial assets	Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Other financial liabilities	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Notes to the Financial Statements: Accounting Policies

1.8 Financial instruments (continued)

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, a municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Reclassification

The municipality does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

Notes to the Financial Statements: Accounting Policies

1.8 Financial instruments (continued)

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the municipality transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Notes to the Financial Statements: Accounting Policies

1.8 Financial instruments (continued)

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Notes to the Financial Statements: Accounting Policies

1.9 Leases (continued)

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.10 Inventories

Inventories consist of work in progress, consumables and finished goods. Inventory is measured at lower of cost, and net realisable value or current replacement cost. Where it is held for distribution or consumption at no charge or for a nominal amount, inventories are valued at cost.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Redundant and slow moving inventories are identified and written down with regard to their cost. Consumables are written down according to their age, condition and utility.

Stands available for sale during the next 12 months are recognised as inventory.

1.11 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Notes to the Financial Statements: Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Notes to the Financial Statements: Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

Notes to the Financial Statements: Accounting Policies

1.11 Impairment of cash-generating assets (continued)

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.12 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Notes to the Financial Statements: Accounting Policies

1.12 Impairment of non-cash-generating assets (continued)

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.13 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

Notes to the Financial Statements: Accounting Policies

1.13 Employee benefits (continued)

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an municipality pays fixed contributions into a separate municipality (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Notes to the Financial Statements: Accounting Policies

1.13 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

Notes to the Financial Statements: Accounting Policies

1.13 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.14 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

Greater Tzaneen Municipality

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Notes to the Financial Statements: Accounting Policies

1.15 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.16 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and revenue is recognized when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed and are based on the consumption history. The provisional estimates of consumption are recognized as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognized as revenue in the invoicing period.

Revenue arising from application of the approved tariff of changes is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licenses and permits.

Service charges relating to solid waste, sanitation and sewerage are levied monthly in terms of the approved tariffs.

Notes to the Financial Statements: Accounting Policies

1.16 Revenue from exchange transactions (continued)

Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.17 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements: Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

1.18 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.19 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.20 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.21 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements: Accounting Policies

1.22 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23 Departmental information

A departmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendixes C and D. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Departmental information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

1.24 Budget information

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/07/2015 to 30/06/2016.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Comparative information is not required.

1.25 Related parties

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.26 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements: Accounting Policies

1.27 VAT

The municipality accounts for VAT on the payment basis. Output VAT is only payable as and when the purchase consideration is received and input tax can be claimed as and when payments are made.

1.28 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. The liability is transferred to revenue as and when the conditions attached to the grants are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2016 or later periods but are not relevant to its operations:

GRAP 20: Related party disclosures

The objective of this standard is to ensure that a reporting entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity;
 - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
 - both entities are joint ventures of the same third party;
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
 - the entity is controlled or jointly controlled by a person identified in (a); and
 - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

2. New standards and interpretations (continued)

The effective date of the standard is not yet set by the Minister of Finance.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

GRAP 32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

2. New standards and interpretations (continued)

The effective date of the standard is not yet set by the Minister of Finance.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

Notes to the Financial Statements

2. New standards and interpretations (continued)

GRAP 21 (as amended 2015): Impairment of non-cash-generating assets

The Board agreed to include a research project on its work programme to review GRAP 21 and GRAP 26 to assess whether the principles in these Standards could be simplified and streamlined. As part of its research project, the Board considered the following aspects which led to the proposed amendments included in this Exposure Draft:

- simplifying the approach to impairment to make it clearer when an asset is cash generating or non-cash-generating;
- assessing the feasibility of one measurement approach for non-cash-generating assets; and
- assessing the feasibility of combining the two Standards.

Summary of changes:

The changes to the Standard of GRAP on Impairment of Non-cash-generating Assets are outlined below:

General definitions:

The definition of cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of cash-generating assets and non-cash-generating assets.

Cash generating assets and non-cash-generating assets:

Additional commentary has been added to clarify the objective of cash-generating assets and non-cash-generating assets.

Identifying an asset that may be impaired:

Additional commentary has been added to clarify that physical damage triggers impairment of an asset when it results in a permanent or a significant decline in the potential of an asset.

Reversing an impairment loss:

An indicator has been added that the restoration of an asset's service potential following physical damage to the asset could indicate a reversal in an impairment loss.

Additional commentary has been added to clarify that restoration of an asset's service potential as a result of physical damage is an indication that an impairment loss recognised in prior periods may no longer exist or may have decreased.

Disclosures:

The requirement to disclose the criteria developed to distinguish non-cash-generating assets from cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of non-cash-generating assets and cash-generating assets.

The proposed effective date of the standard is for years beginning on or after 01 April 2017.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

GRAP 26 (as amended 2015): Impairment of cash-generating assets

The Board agreed to include a research project on its work programme to review GRAP 21 and GRAP 26 to assess whether the principles in these Standards could be simplified and streamlined. As part of its research project, the Board considered the following aspects which led to the proposed amendments included in this Exposure Draft:

- simplifying the approach to impairment to make it clearer when an asset is cash generating or non-cash-generating;
- assessing the feasibility of one measurement approach for non-cash-generating assets; and
- assessing the feasibility of combining the two Standards.

Summary of changes:

Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

2. New standards and interpretations (continued)

The changes to the Standard of GRAP on Impairment of Cash-generating Assets are outlined below:

General definitions:

The definitions of cash-generating assets and cash-generating unit have been amended to be consistent with the amendments made to clarify the objective of cash-generating assets and non-cash-generating assets below.

Cash generating assets and non-cash-generating assets:

Additional commentary has been added to clarify the objective of cash-generating assets and non-cash-generating assets.

Disclosures:

The requirement to disclose the criteria developed to distinguish cash-generating assets from non-cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of non-cash-generating assets and cash-generating assets.

The effective date of the standard is for years beginning on or after 01 April 2017.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
3. Inventories		
Consumable stores	9,873,576	10,618,355
Stands	6,270,000	6,750,000
	16,143,576	17,368,355
The carrying value of consumable stores is disclosed at cost while the carrying value of stands is disclosed at net realisable value.		
4. Other financial assets		
At amortised cost		
Stand sale arrangements	2,145,732	1,483,913
Fixed deposits - listed	20,939,720	7,557,365
	23,085,452	9,041,278
Non-current assets		
At amortised cost	20,939,720	7,557,365
Current assets		
At amortised cost	2,145,732	1,483,913
Financial assets at amortised cost		
Council's valuation of listed investments		
Liberty	8,941,855	7,557,365
Standard Bank	11,997,865	-
	20,939,720	7,557,365
Reconciliation of stand sale arrangements		
Stand sale agreements	2,145,732	1,483,913
Less: Current portion	(2,145,732)	(1,483,913)
Non-current portion of stand sale arrangements	-	-

Fair value of investments are at book value as at 30 June 2016.

No non-current investments defaulted and no terms of any of the non-current investments were re-negotiated.

The maximum exposure to credit risk at the reporting date is the fair value of each class of financial asset mentioned above.

Fixed deposits of R 8 941 855 and R 11 997 865 have been made with Liberty and Standard Bank of South Africa respectively to repay loans of R 15 000 000 and R 30 000 000 on maturity date.

Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
4. Other financial assets (continued)		
Financial assets at amortised cost impaired		
Reconciliation of provision for impairment of financial assets at amortised cost		
Debtor arrangements		
Opening balance	-	885,134
Transfer to other receivables	-	(885,134)
	<u>-</u>	<u>-</u>

No provision for impairment of debtors arrangement has been made during the 2015/2016 financial year. An amount of R 885 134 has been impaired for the 2014/2015 financial year.

Loans to staff and the public

To comply with the requirements of the MFMA, no loan has been made after 1 March 2004.

Stand sale arrangements

As from 1 March 2004 no loan agreement has been entered into for the sale of stands. The outstanding loans will be recovered over the remaining period of the individual loan agreements entered into.

Arrangements were made to enable people to purchase stands from the Council. These arrangements are repayable within 60 days.

Debtor arrangements

Short-term debt repayment arrangements have been engaged in to during the 2015/2016 financial year to enable debtors to pay outstanding consumer accounts.

Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand

5. Receivables from non-exchange transactions

5.1 Traffic fines

Fines					45,153,383	23,132,759
Reconciliation of traffic fines						
	Balance at the beginning of the year	Issued	Less: Withdrawn	Less: Fines receipted	Less: Provision for Impairment	Balance at the end of the year
2016 fines	23,132,759	35,080,550	(96,400)	(4,546,992)	(8,416,534)	45,153,383
	Balance at the beginning of the year	Issued	Less: Withdrawn	Less: Fines receipted	Less: Provision for impairment	Balance at the end of the year
2015 fines	-	44,891,000	(6,312,815)	(5,260,805)	(10,184,621)	23,132,759
Reconciliation of provision for traffic fines						
Opening balance					10,184,621	-
Provision for impairment					8,416,534	10,184,621
					18,601,155	10,184,621

Receivables from non-exchange transactions

The Accounting Standard Board amended IGRAP 1 applying the Probability Test on the Initial Recognition of Revenue to include revenue from non-exchange transactions. This amendment is applicable to municipalities from 1 July 2013. GRAP 1 indicates that entities should not consider the probability of non-payment on the initial recognition of revenue. This should be considered as a subsequent event when assessing impairment.

Fine revenue of all fines issued during the current year amounted to R 34,984,150 (2015: R 38,578,185). The outstanding fines were assessed for impairment based on the payment history of fines issued and measures put in place to recover the outstanding amounts.

Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
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5. Receivables from non-exchange transactions (continued)

Credit quality of receivables from non-exchange transactions

Traffic fines are payable as determined by the fine. The credit period granted is considered to be consistent with established practices and legislation.

The municipality's historical experience in collection of traffic fines falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's receivables from non-exchange transactions.

5.2. Operating lease asset (accrual)

Current assets	96,890	117,080
Municipality as lessor: Future minimum lease repayments receivable		
Less than one year	76,865	69,882
Between one year and five year	183,764	215,811
More than five years	165,822	210,640
	426,451	496,333

Operating leases relate to property owned by the municipality with lease terms of between one (1) and twenty (20) years, with an option to extend the lease. The lessee does not have an option to purchase the property at the expiry of the lease period. The properties are maintained by the tenant, at their cost. No investment property has been disposed of since the date of the financial statements.

The municipality has operating lease agreements for the following classes of assets which are only significant collectively.

- Municipal buildings
- Vacant land

No restrictions have been imposed on the municipality in terms of the operating lease agreements

6. Receivables from exchange transactions

Trade debtors	173,827,495	148,879,305
Prepayments	7,440,868	7,675,588
Land deposit	340,004	-
Other receivables	24,732,377	21,748,279
Bursary loans	467,071	539,331
	206,807,815	178,842,503
Provisions for impairment of receivables	(23,555,773)	(17,984,661)
	183,252,042	160,857,842

Reconciliation of provision for impairment of trade and other receivables

Opening balance	17,984,661	13,880,674
Provision for impairment	5,571,112	4,451,570
Amounts written off as uncollectible	-	(1,232,717)
Unused amounts reversed	-	885,134
	23,555,773	17,984,661

Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
6. Receivables from exchange transactions (continued)		
Credit quality of receivables from exchange transactions		
Trade and other debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary.		
Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.		
7. Consumer debtors		
Gross balances		
Rates	112,049,061	96,978,900
Electricity	161,876,524	137,497,869
Refuse	50,399,803	44,209,805
	324,325,388	278,686,574
Less: Allowance for impairment		
Rates	(95,439,974)	(77,894,143)
Electricity	(67,162,665)	(47,450,938)
Refuse	(44,630,537)	(37,711,792)
	(207,233,176)	(163,056,873)
Net balance		
Rates	16,609,087	19,084,757
Electricity	94,713,859	90,046,931
Refuse	5,769,266	6,498,013
	117,092,212	115,629,701
Included in above is receivables from exchange transactions		
Electricity	94,713,859	90,046,931
Refuse	5,769,266	6,498,013
	100,483,125	96,544,944
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	16,609,087	19,084,757
Net balance	117,092,212	115,629,701
Rates: Ageing		
Current (0 -30 days)	6,795,326	6,372,475
31 - 60 days	3,475,652	3,249,808
61 - 90 days	2,802,586	2,692,142
91 - 120 days	2,712,943	2,699,578
121 - 365 days	96,262,554	81,964,897
	112,049,061	96,978,900

Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
7. Consumer debtors (continued)		
Electricity: Ageing		
Current (0 -30 days)	71,373,805	50,189,140
31 - 60 days	9,222,798	7,922,319
61 - 90 days	4,794,641	4,294,646
91 - 120 days	3,406,481	8,807,605
121 - 365 days	73,078,799	66,284,159
	161,876,524	137,497,869
Refuse: Ageing		
Current (0 -30 days)	2,787,826	2,485,124
31 - 60 days	1,248,986	1,160,830
61 - 90 days	1,049,988	951,313
91 - 120 days	1,023,947	966,267
121 - 365 days	44,289,056	38,646,271
	50,399,803	44,209,805
Summary of debtors by customer classification		
Residential property: Ageing		
Current (0 -30 days)	23,262,040	20,207,442
31 - 60 days	6,877,589	6,161,768
61 - 90 days	4,223,445	4,270,707
91 - 120 days	3,975,749	3,847,346
121 - 365 days	141,505,466	117,324,592
	179,844,289	151,811,855
Industrial and commercial: Ageing		
Current (0 -30 days)	52,032,851	35,058,495
31 - 60 days	4,670,459	5,273,513
61 - 90 days	3,181,516	3,031,460
91 - 120 days	2,475,393	7,810,368
121 - 365 days	66,800,727	64,696,917
	129,160,946	115,870,753
National and provincial government: Ageing		
Current (0 -30 days)	1,060,342	1,067,545
31 - 60 days	138,454	642,449
61 - 90 days	456,737	70,881
91 - 120 days	382,680	402,120
121 - 365 days	11,305,268	10,418,891
	13,343,481	12,601,886
Other: : Ageing		
Current (0 -30 days)	4,601,722	2,713,255
31 - 60 days	2,260,934	255,227
61 - 90 days	785,518	565,053
91 - 120 days	309,550	413,615
121 - 365 days	(5,981,053)	(5,545,070)
	1,976,671	(1,597,920)

Consumer debtors pledged as security

No portion of accounts receivable was pledged as security for any financial liabilities.

Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
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7. Consumer debtors (continued)

Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past nor impaired can be assessed by reference to historical information about counterparty default rates:

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of consumer debtors on initial recognition is not deemed necessary.

Concentrations of credit risk with respect to consumer debtors are limited due to the municipality's large number of customers. The municipality's historical experience in collection of consumer debtors falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's consumer debtors.

Fair value of consumer debtors

The fair value of accounts receivable approximates their carrying amounts.

Consumer debtors

No security is held for any of the accounts receivable.

Consumer debtors impaired

As of 30 June 2016, consumer debtors of R 207,233,176 (2015: R 163,056,873) were impaired and provided for.

Indigent debtors to the amount of R 5,699,788 (2015: R 4,771,482) have been written off as uncollectable in the current year.

These amounts best represent the maximum exposure to credit risk at the end of the reporting period without taking account of any collateral held or other credit enhancements.

Reconciliation of allowance for impairment of consumer debtors

Opening balance	163,056,873	146,676,666
Allowance for impairment	49,876,091	21,151,689
Amounts written off as uncollectible	(5,699,788)	(4,771,482)
	<u>207,233,176</u>	<u>163,056,873</u>

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	<u>54,369,420</u>	<u>27,977,498</u>
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No cash and cash equivalents, or portion thereof, was pledged as security for any financial liabilities.

No restrictions exist regarding the use of cash.

Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand 2016 2015

8. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2016	30 June 2015	30 June 2014	30 June 2016	30 June 2015	30 June 2014
Consolidated cash book balance	-	-	-	54,369,420	27,977,498	23,822,041
ABSA BANK - Cheque account number - 126 085 0527 Primary Bank Account	-	-	-	-	-	-
ABSA BANK - Cheque account number - 404 896 4222	22,965,320	27,911,345	23,820,599	-	-	-
ABSA BANK - Cheque account number - 908 197 4990	317,479	66,153	1,442	-	-	-
ABSA BANK - Cheque account number - 405 144 4332	-	-	-	-	-	-
ABSA BANK - Liquidity plus account - 9312433930 (MIG)	8,228,881	-	-	-	-	-
ABSA BANK - Liquidity plus account - 9312434237 (INEP)	22,857,740	-	-	-	-	-
Total	54,369,420	27,977,498	23,822,041	54,369,420	27,977,498	23,822,041

The Municipality opened two bank accounts on 8 October 2015 to control for MIG and INEP surplus funds separately.

Credit quality of Cash and cash equivalents

The credit quality of cash and cash equivalents that are neither past due nor impaired can be assessed by reference to the municipality's going concern ratio's which include current ratio, debt ratio and net income to net sales ratio.

9. Investment property

	2016			2015		
	Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	194,099,000	-	194,099,000	189,945,000	-	189,945,000

Reconciliation of investment property - 2016

	Opening balance	Additions	Disposals	Change in valuation	Total
Investment property	189,945,000	6,700,000	(1,400,000)	(1,146,000)	194,099,000

Reconciliation of investment property - 2015

	Opening balance	Additions	Disposals	Total
Investment property	182,157,000	9,348,000	(1,560,000)	189,945,000

Pledged as security

No investment properties was pledged as security for liabilities.

Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
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9. Investment property (continued)

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Details of valuation

The Greater Tzaneen Municipal valuations is based on the valuation roll which is reviewed every four years. The last valuation roll came into effect on 1 July 2013. Supplementary valuations are issued and processed annually to take into account changes in individual property value due to alterations and subdivisions.

10. Property, plant and equipment

	2016			2015		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	108,830,310	-	108,830,310	108,830,310	-	108,830,310
Infrastructure	2,207,966,203	(866,646,274)	1,341,319,929	2,128,383,984	(751,232,831)	1,377,151,153
Community	103,663,380	(22,561,144)	81,102,236	79,824,810	(20,132,665)	59,692,145
Work in progress	59,510,505	-	59,510,505	83,071,588	-	83,071,588
Other assets	66,990,722	(44,599,702)	22,391,020	66,082,897	(39,701,730)	26,381,167
Leased assets	12,373,186	(9,034,275)	3,338,911	12,458,610	(8,409,246)	4,049,364
Total	2,559,334,306	(942,841,395)	1,616,492,911	2,478,652,199	(819,476,472)	1,659,175,727

Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2016

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Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Write offs	Transfers from Work in Progress capitalised	Depreciation	Impairment loss	Total
Land	108,830,310	-	-	-	-	-	108,830,310
Infrastructure	1,377,151,153	79,582,220	-	-	(112,981,777)	(2,431,667)	1,341,319,929
Community	59,692,145	23,838,570	-	-	(2,428,479)	-	81,102,236
Work in progress	83,071,588	67,535,022	-	(91,096,105)	-	-	59,510,505
Other assets	26,381,167	1,884,688	(110,074)	-	(5,764,761)	-	22,391,020
Leased assets	4,049,364	-	-	-	(710,453)	-	3,338,911
	1,659,175,727	172,840,500	(110,074)	(91,096,105)	(121,885,470)	(2,431,667)	1,616,492,911

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Write offs	Transfers from Work in Progress capitalised	Depreciation	Impairment loss	Total
Land	108,830,310	-	-	-	-	-	108,830,310
Infrastructure	1,342,085,766	144,483,683	(105,336)	-	(107,406,222)	(1,906,738)	1,377,151,153
Community	61,849,510	-	-	-	(2,157,365)	-	59,692,145
Work in progress	112,096,535	111,695,112	-	(140,720,059)	-	-	83,071,588
Other assets	31,931,406	1,965,907	-	-	(7,516,146)	-	26,381,167
Leased assets	4,435,520	473,701	-	-	(859,857)	-	4,049,364
	1,661,229,047	258,618,403	(105,336)	(140,720,059)	(117,939,590)	(1,906,738)	1,659,175,727

Pledged as security

None of the property, plant and equipment has been pledged as security for any liabilities.

Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
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10. Property, plant and equipment (continued)

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

The prior period balances were restated for prior year errors. Refer to note 60 for detail.

A detailed breakdown of property plant and equipment by asset class can be found in Annexure "B"

11. Intangible assets

	2016			2015		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1,822,937	(1,241,812)	581,125	1,280,296	(440,115)	840,181

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Impairment loss	Total
Computer software	840,181	542,641	(792,332)	(9,365)	581,125

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Total
Computer software	156,234	934,641	(250,694)	840,181

Pledged as security

No intangible assets have been pledged as security for any liability.

Greater Tzaneen Municipality

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Figures in Rand	2016	2015
12. Other financial liabilities		
At amortised cost		
Annuity loan - DBSA	35,050,211	36,566,940
Annuity loan - ABSA	20,862,705	24,222,191
Annuity loan - INCA	8,685,323	11,483,319
Annuity loan - Standard Bank	14,593,209	20,358,845
DBSA local registered loan stock	15,000,000	15,000,000
Loan Stock - Standard Bank	30,000,000	-
Annuity loan - DBSA	31,300,000	-
	155,491,448	107,631,295
Total other financial liabilities	155,491,448	107,631,295
Non-current liabilities		
At amortised cost	127,626,647	94,509,259
Current liabilities		
At amortised cost	27,864,801	13,122,036

Annuity loan - Standard Bank

This loan has been split into two allocations of R21 011 000 and R13 281 000 and was taken up on 30 June 2012. These loans bear interest at rates of 11,8% and 10,96% respectively and will be fully redeemed on 30 June 2019 and 30 June 2017 respectively.

Annuity loan - ABSA

This loan has been split into two allocations of R25 140 000 and R9 640 000 and was taken up on 15 August 2010. These loans bear interest at rates of 10,62% and 6,75% respectively and will be fully redeemed on 31 July 2025 and 30 June 2016 respectively.

Annuity loan - DBSA

A loan of R41 000 000 of which R 35 010 350 has been allocated during the 2010 / 2011 financial year was taken up to finance capital projects. This loan bears interest at a rate of 6,75% per annum and will be fully redeemed on 31 October 2030.

Annuity loan - INCA

The loan has been taken up to finance the purchase of land. It bears interest at a rate of 12,5% per annum and will be fully redeemed on 31 December 2018.

Loan stock: DBSA (Excelsior 1 000 investment)

An annual investment of R855 619 has been made with Liberty to repay a loan of R15 000 000 on maturity date. The loan bears interest at a variable rate and will be redeemed on 30 September 2019.

Annuity loan: DBSA

A loan of R 31 300 000 has been allocated to the municipality during May 2016 by DBSA. The loan bears interest at 9% and will be fully redeemed on 30 June 2018. The loan is in respect of the DBSA, INEP frontloading programme as proposed by the Department of Energy (DOE)

Loan Stock: Standard Bank

A loan of R 30 000 000 has been taken up to finance capital projects. The loan bears interest at a rate of 12.09 % per annum and will be redeemed on 16 October 2025.

Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
12. Other financial liabilities (continued)		
Undrawn borrowings		
There were no undrawn borrowing facilities that were available for future activities or to settle capital commitments at 30 June 2016.		
None of the loans are secured by any fixed or movable assets of the Greater Tzaneen Municipality.		
The municipality did not default on any of the borrowings in respect of capital or interest portions.		
No terms attached to the financial liabilities were re-negotiated.		
13. Finance lease obligation		
Minimum lease payments due		
- within one year	267,567	633,146
- in second to fifth year inclusive	-	267,567
	<u>267,567</u>	<u>900,713</u>
less: future finance charges	(13,742)	(70,008)
Present value of minimum lease payments	<u>253,825</u>	<u>830,705</u>
Present value of minimum lease payments due		
- within one year	253,825	576,879
- in second to fifth year inclusive	-	253,826
	<u>253,825</u>	<u>830,705</u>
Non-current liabilities	-	253,826
Current liabilities	253,825	576,879
	<u>253,825</u>	<u>830,705</u>

The average lease term was 3 to 5 years. Interest rates are fixed at the contract date. Certain leases have fixed repayments and other escalate. No arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

The municipality did not default on any of the interest or capital repayments of the finance leases.

No terms and conditions of the finance leases were re-negotiated during the reporting period.

14. Payables from exchange transactions

Trade payables	80,967,046	86,157,120
Payments received in advanced	7,440,868	7,675,588
Staff leave	30,817,512	29,004,501
Retention	18,948,259	13,554,509
Unknown direct deposits	5,518,063	2,431,771
Other payables	1,866,743	1,465,538
13th Cheque	6,469,361	6,096,102
	<u>152,027,852</u>	<u>146,385,129</u>

The average credit period on purchases is 30 days from receipt of the invoice, as determined by Section 99 of the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with.

The carrying value of payables from exchange transactions approximate their fair values. The fair value is determined after considering the standard terms and conditions of agreements entered into by the municipality and the parties.

Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2016

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Figures in Rand	2016	2015
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14. Payables from exchange transactions (continued)

The Municipality did not default on any accounts payable in respect of capital or interest portions.

No terms attached to the accounts payable were re-negotiated.

15. VAT payable

Net VAT payable	29,844,327	29,626,345
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VAT is payable to SARS on the payments basis. Output VAT is only payable as and when the purchase consideration is received and input VAT can only be claimed as and when payments are made.

16. Consumer deposits

Electricity	23,146,904	21,032,333
Guarantees held in lieu of electricity deposits	3,554,930	3,552,430

Consumer deposits are paid by customers on application for new electricity connections. The deposits are repaid when the electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding accounts.

Guarantees are given to business consumers on application for new electricity connections instead of deposits. In cases where consumers default on their accounts, the municipality can request the guarantee amounts from the consumers bank as payment for the outstanding accounts.

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Grants - other	19,434,127	60,435,514
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Movement during the year

Balance at the beginning of the year	60,435,514	44,079,480
Additions during the year	130,638,000	143,628,000
Income recognition during the year	(147,402,061)	(95,291,526)
Administration fee recognised during the year	(22,237,327)	(15,529,746)
Overspending adjustment	(1,999,999)	(16,450,694)
	19,434,127	60,435,514

Refer to note 23 for reconciliation of unspent conditional grants.

18. Provisions

Reconciliation of provisions - 2016

	Opening Balance	Additions	Reductions	Total
Provision for rehabilitation of landfill site	3,475,973	347,597	-	3,823,570
Provision for performance bonuses	2,488,580	-	(1,800,045)	688,535
	5,964,553	347,597	(1,800,045)	4,512,105

Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2016

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Figures in Rand	2016	2015
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18. Provisions (continued)

Reconciliation of provisions - 2015

	Opening Balance	Additions	Reduction due to re- measurement or settlement without cost to entity	Total
Provision for rehabilitation of landfill site	3,159,975	315,998	-	3,475,973
Provision for performance bonuses	2,614,676	-	(126,096)	2,488,580
	5,774,651	315,998	(126,096)	5,964,553
Non-current liabilities			3,823,570	3,475,973
Current liabilities			688,535	2,488,580
			4,512,105	5,964,553

Provision for rehabilitation of landfill site

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation, discounted at 10% over an average period of 20 years. The due date of this provision is June 2027.

Provision for performance bonuses

Performance bonuses accrue to Section 57 managers and managers on an annual basis subject to certain conditions. The provision is the actual amount due at the reporting date to staff. Performance bonuses are paid one year in arrears as the assessment of eligible employees had not taken place at the end of the reporting period. Performance bonuses are measured at face value as it is expected that these would be paid shortly after the financial year end once performance evaluations have been completed. The reduction in the 2015/2016 provision is due to the suspension of performance evaluations for managers.

19. Employee benefit obligations

Defined benefit plan

The total amount recognised in the statement of financial position is as follows:

Carrying value

Defined benefit obligation - Long service awards	11,622,662	10,830,506
Defined benefit obligation - Post-employment health care benefit	74,141,098	65,494,316
	85,763,760	76,324,822

Post retirement medical aid plan

The Municipality provides post-retirement benefits by subsidising the medical aid contributions of certain retired staff. According to the rules of the medical aid funds with which the Municipality is associated, a member on retirement is entitled to remain a continued member of such medical aid fund, and the Municipality will continue to subsidise medical contributions in accordance with the provisions of the employee's employment contract and the Municipality's decision on protected rights.

Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
19. Employee benefit obligations (continued)		
<p>The post-employment health care benefits valuation considers all current employees, retired employees and their dependants who participate in the health care arrangements and are entitled to a post-employment medical scheme subsidy. The post-employment health care liability is not a funded arrangement, i.e. no separate assets have been set aside to meet this liability. The effective date of the valuation is 30 June 2016.</p> <p>The Projected Unit Credit Method was used to value the liabilities and the liability for eligible employees is accrued over their expected working lifetime.</p> <p>Membership of health care arrangements entitled to a post-employment medical aid subsidy at reporting date was:</p>		
In-service members	367	355
In-service non-members	307	309
Continuation members	49	44
	723	708
<p>The amount recognised in the statement of financial position is as follows:</p>		
Carrying value		
Present value of the defined benefit obligation - wholly unfunded	74,141,098	65,494,316
<p>Changes in the present value of the defined benefit obligation are as follows:</p>		
Opening balance	65,494,316	55,596,329
Benefits paid	(1,662,276)	(1,482,060)
Net expense recognised in the statement of financial performance	10,309,058	11,380,047
	74,141,098	65,494,316
Net expense recognised in the statement of financial performance		
Current cost	3,799,467	2,943,021
Interest cost	5,812,252	4,982,558
Actuarial (gains)/losses	697,339	3,454,468
	10,309,058	11,380,047
Calculation of actuarial gains and losses		
Actuarial (gains)/ losses	697,339	3,454,468
	697,339	3,454,468
Key assumptions used		
Assumptions used at the reporting date:		
Discount rate used	9.10 %	8.99 %
Health care cost inflation rate	8.22 %	8.10 %
Net discount rate	0.82 %	0.82 %
Average retirement age	61	61
Best estimate of contributions expected to be paid		
Expected benefits to be paid	1,952,316	1,662,276

Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand	2016	2015			
19. Employee benefit obligations (continued)					
Other assumptions					
The sensitivity analysis is based on the total liability which includes water and sewerage.					
Assumed healthcare cost trend rates have a significant effect on the amounts recognised in surplus or deficit. The effect of a one percentage movement in the assumed rate of health care cost inflation is as follows:					
Increase					
Effect of aggregate service cost and interest cost	12,579,400	10,744,400			
Effect on the defined benefit obligation	94,671,000	83,810,000			
Decrease					
Effect of aggregate service cost and interest cost	(8,832,100)	(7,510,500)			
Effect on the defined benefit obligation	(69,449,000)	(61,575,000)			
Amounts for the current and previous four years are as follows:					
	2016 R	2015 R	2014 R	2013 R	2012 R
Defined benefit obligation	74,141,098	65,494,316	55,596,329	47,819,496	44,563,828
Surplus (deficit)	(74,141,098)	(65,494,316)	(55,596,329)	(47,819,496)	(44,563,828)
Long service awards					
Long service awards relates to the legal obligation to provide for long service leave awards. An actuarial valuation has been performed on all 723 (2015: 655) employees that are entitled to long service leave awards on 30 June 2016. The long service leave awards liability is not a funded arrangement, i.e no separate assets have been set aside to meet this liability.					
The amounts recognised in the statement of financial position are as follows:					
Carrying value					
Present value of the defined benefit obligation-wholly unfunded				11,622,662	10,830,506
Changes in the present value of the defined benefit obligation are as follows:					
Opening balance				10,830,506	8,187,516
Benefits paid				(1,351,074)	(1,539,426)
Net expense recognised in the statement of financial performance				2,143,230	4,182,416
				11,622,662	10,830,506
Net expense recognised in the statement of financial performance					
Current service cost				1,124,623	813,587
Interest cost				809,468	610,673
Actuarial (gains) losses				209,139	2,758,156
				2,143,230	4,182,416
Calculation of actuarial gains and losses					
Actuarial (gains) losses – Obligation				209,139	2,758,156

Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
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19. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	8.51 %	7.96 %
Expected increase in salaries	7.17 %	7.03 %
Net discount rate	1.25 %	0.87 %
Average retirement age	61	61

Other assumptions

The sensitivity analysis is based on the total liability which includes water and sewerage.

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

Increase

Effect of aggregate service cost and interest cost	2,268,900	1,699,200
Effect on the defined benefit obligation	13,508,000	12,535,000

Decrease

Effect of aggregate service cost and interest cost	(1,955,900)	(1,461,100)
Effect on the defined benefit obligation	(11,936,000)	(11,083,000)

Amounts for the current and previous four years are as follows:

	2016 R	2015 R	2014 R	2013 R	2012 R
Defined benefit obligation	11,622,662	10,830,506	8,187,516	7,721,047	5,588,929
Surplus (deficit)	(11,622,662)	(10,830,506)	(8,187,516)	(7,721,047)	(5,588,929)

Defined contribution plan

The municipality is under no obligation to cover any unfunded benefits.

The amount recognised as an expense for defined contribution plans is	45,051,099	43,146,478
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The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors/ employees leave plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the statement of financial performance of R 45 million represents contributions payable to these plans by the municipality at rates specified in the rules of the plans.

Included in defined contribution plan information above, is the following plans which are Multi-Employer Funds and are Defined Benefit Plans, but due to the fact that sufficient information is not available to enable the municipality to account for the plans as defined benefit plans, the municipality accounted for these plans as defined contribution plans. The amounts disclosed above includes an amount of R 3 944 344 which represents the contributions for councillors.

Joint Municipal Pension Fund

The Joint Municipal Pension Fund's contribution rate payable is 9% by the members and 22% by council. The valuation of 30 September 2014 showed that the funding level is 107.3%

Contributions made during the year	181,498	175,631
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Greater Tzaneen Municipality

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Figures in Rand	2016	2015
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19. Employee benefit obligations (continued)

Municipal Employees pension fund

The contribution rate paid by the members of 7.5% and council of 22% or 18% are sufficient to fund the benefits accruing from the fund in future. The last valuation performed for the year ended February 2014 revealed that the funding level is 107.9%

Contributions made during the year	1,788,000	1,660,007
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Municipal Employees Gratuity Fund

The contribution paid by the members of 7.5% or 9% and council 22% or 18% is sufficient to fund the benefits accruing from the fund in future.

At the valuation date of 30 June 2015 the pension fund was funded and revealed that the fund was certified to be in a sound financial positions.

Contributions made during the year	7,317,930	7,259,869
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Municipal Fund for Municipal Workers

The above mentioned fund is a defined contribution fund and according to regulation 2 of the Pension Fund of 1956 exempt from the provisions of sections 9A and 16 of the Act.

Contributions made during the year	31,819,327	30,310,935
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Municipal councillors pension fund

The municipal councillors pension fund operates as a defined contribution scheme. The contribution rate paid by the members (13.75%) and council (15%) is sufficient to fund the benefits accruing from the fund in the future.

20. Service charges

Sale of electricity	417,994,360	378,537,920
Sale of prepaid electricity	3,452,371	1,812,566
Indigent charges	740,856	344,462
Refuse removal	26,475,760	25,815,532
Other service charges	1,441,121	470,228
	450,104,468	406,980,708

The amounts disclosed above for sale of electricity, indigent charges and refuse removal are in respect of services rendered and are billed to the consumers on a monthly basis according to council's approved tariffs.

Greater Tzaneen Municipality acts as service provider for the Mopani District Municipality with regard to the water and sewer services. Mopani District Municipality is the water and sewer service authority and those services reflect in their records.

Greater Tzaneen Municipality

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Figures in Rand	2016	2015
21. Other income		
Credit control actions	542,581	1,181,085
Environmental health services	56,623	34,276
Grant admin fee	1,759,343	1,319,622
Insurance claims	1,940,029	892,682
Inventory surplus	7,468	-
Library services	8,345	7,952
Motor vehicle and drivers licence	8,307,135	8,669,282
PMU agent commission	1,806,561	4,443,320
Recoveries	112,258	911,643
Sundry income	525,148	2,122,930
Unknown deposit not claimed	-	7,675,960
Valuation certificates	87,900	64,565
VAT on grants	18,680,768	10,786,426
	33,834,159	38,109,743

The amounts disclosed above as other income are in respect of services rendered, other than disclosed in note 20, which are billed to or paid for by the users of services as required according to councils approved tariffs.

22. Property rates

Rates levied

Residential	33,605,768	34,370,193
Commercial	23,338,157	22,878,111
State	5,291,893	5,132,629
Other	11,910,522	11,717,092
	74,146,340	74,098,025
Property rates - penalties imposed	5,186,759	5,368,139
	79,333,099	79,466,164

Valuations

	R '000	R' 000
Residential	5,328,130	5,219,584
Commercial	1,961,342	1,946,025
State	522,864	420,644
Municipal	191,350	173,174
Agriculture	4,401,425	4,372,000
Other	91,909	11,723
	12,497,020	12,143,150

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2013. Interim valuations are processed on a monthly basis to take into account changes in individual property values due to alterations and subdivisions. The same rate is applied on different categories of property and improvement valuations to determine assessment rates. Rebates are granted on various categories of properties. Interest at prime rate plus 1% is levied on outstanding rates and the prime rate of ABSA applies.

23. Government grants and subsidies

Operating grants

Equitable share	288,642,999	235,716,694
National MSIG	789,233	692,071
Neighbourhood Grant	5,710,105	8,012,015
Finance Management Grant	1,559,268	1,600,000
SETA	-	19,660
Municipal Infrastructure Grant	116,763,519	72,045,900

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Figures in Rand	2016	2015
23. Government grants and subsidies (continued)		
National - Electrification Grant	16,670,539	5,000,000
Government grant (Donation of assets) - Note 24	6,700,000	-
DOE Grant	4,041,618	5,886,659
EPWP	1,867,779	2,034,221
Government grant (Donation of assets) - Note 24	13,706,510	-
	456,451,570	331,007,220
Equitable shares		
Current year receipts	288,642,999	235,716,694
Conditions met - operating	(288,642,999)	(235,716,694)
Conditions still to be met - transferred to liabilities	-	-

The equitable share is the unconditional share of the revenue raised nationally and is being allocated in terms of section 214 of the constitution (Act 108 of 1996) to the municipality by the National Treasury.

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Drought Relief Programme

Balance unspent at beginning of year	30,700	30,700
Conditions still to be met - transferred to liabilities	30,700	30,700

Conditions still to be met - remain liabilities (see note 17).

The grant is targeting communities without primary potable water, mainly attributed by drought. The aim is to provide primary water to a minimum of 25lt per day in the proposed area.

SETA

Balance unspent at beginning of year	442,899	462,559
Conditions met - transferred to revenue	-	(19,660)
Conditions still to be met - transferred to liabilities	442,899	442,899

Conditions still to be met - remain liabilities (see note 17).

The grant is used to pay for training courses. It supplements / augments the funds on the training vote. It is used to fund the primary and secondary skills development facilitators when they are out of the office on skills development related matters.

Municipal Infrastructure Grant

Balance unspent at beginning of year	43,725,971	19,218,617
Current-year receipts	91,191,000	111,083,000
Conditions met - transferred to revenue	(116,763,519)	(72,045,900)
VAT on Grant (own revenue)	(16,346,892)	(10,086,426)
Administration fee	(1,806,560)	(4,443,320)
Conditions still to be met - transferred to liabilities	-	43,725,971

Conditions still to be met - remain liabilities (see note 17).

MIG funds are used to upgrade and build new infrastructure up to a basic level of service as well as to rehabilitate existing infrastructure for the poorest of the poor.

Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
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23. Government grants and subsidies (continued)

Department of Minerals and Energy

Balance unspent at beginning of year	33,186	33,186
Conditions still to be met - transferred to liabilities	33,186	33,186

Conditions still to be met - remain liabilities (see note 17).

The main aim of this grant was to supply the farmers (workers) with electricity and the funds were used for the electrification of the farmer houses (workers houses) within the Greater Tzaneen Municipality. This was according to the DME (Department of Minerals and Energy) standards.

National Electrification Grant

Current-year receipts	30,000,000	6,000,000
Conditions met - transferred to revenue	(16,670,539)	(5,000,000)
VAT on grants (own revenue)	(2,333,875)	(700,000)
Administration fees	(1,500,000)	(300,000)
Conditions still to be met - transferred to liabilities	9,495,586	-

Conditions still to be met - remain liabilities (see note 17).

The grant was used for electrification of farm labour housing and schools.

Community Based Projects

Balance unspent at beginning of year	356,878	356,878
Conditions still to be met - transferred to liabilities	356,878	356,878

Conditions still to be met - remain liabilities (see note 17).

The funds were used for the training of lead facilitators, ward-based facilitators and community based projects roll out to the wards.

Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
23. Government grants and subsidies (continued)		
Neighbourhood Grant		
Balance unspent at beginning of year	13,937,985	16,450,694
Roll over adjustments	-	(16,450,694)
Current-year receipts	-	21,950,000
Conditions met - transferred to revenue	(5,710,105)	(8,012,015)
Conditions still to be met - transferred to liabilities	8,227,880	13,937,985
Conditions still to be met - remain liabilities (see note 17).		
These funds were used to embellish the entrances of various towns and villages.		
Cleanest Town		
Balance unspent at beginning of year	450,766	450,766
Conditions still to be met - transferred to liabilities	450,766	450,766
Conditions still to be met - remain liabilities (see note 17).		
Funds received through the greenest town competition were used to provide schools in villages with refuse removal skips.		
MSIG Establishment Grant		
Balance unspent at beginning of year	1,052,646	810,717
Current-year receipts	930,000	934,000
Conditions met - transferred to revenue	(789,233)	(692,071)
Conditions still to be met - transferred to liabilities	1,193,413	1,052,646
Conditions still to be met - remain liabilities (see note 17).		
The grant is used to upgrade the financial systems of the Municipality and to provide training to officials.		
Upgrade of sport facilities		
Balance unspent at beginning of year	100,623	100,623
Conditions still to be met - transferred to liabilities	100,623	100,623
Conditions still to be met - remain liabilities (see note 17).		
This grant was used to upgrade sport facilities in towns and villages.		
Finance Management Grant		
Current-year receipts	1,675,000	1,600,000
Conditions met - transferred to revenue	(1,559,268)	(1,600,000)
Conditions still to be met - transferred to liabilities	115,732	-
Conditions still to be met - remain liabilities (see note 17).		
The grant is used to support financial management.		

Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
23. Government grants and subsidies (continued)		
DOE Grant		
Balance unspent at beginning of year	278,081	6,164,740
Current-year receipts	5,000,000	-
Conditions met - transferred to revenue	(4,041,618)	(5,886,659)
Administration fees	(250,000)	-
Conditions still to be met - transferred to liabilities	986,463	278,081
Conditions still to be met - remain liabilities (see note 17).		
Energy efficiency and demand side management. Retrofitting of old street lights.		
EPWP Grant		
Rollover adjustment	25,779	-
Current-year receipts	1,842,000	2,060,000
Conditions met - transferred to revenue	(1,867,779)	(2,034,221)
Conditions still to be met - transferred to liabilities	-	25,779
Conditions still to be met - remain liabilities (see note 17).		
The grant is used for rural waste removal.		
Changes in level of government grants		
Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.		
All grant funding destined for the Municipality in terms of the annual Division of Revenue Act, with the exception of R1 999 999 due to poor performance on the Neighbourhood Grant and the MSIG Establishment grant has been received.		
24. Donations received		
Greater Tzaneen Municipality received a donation of Assets, which amount to R 20 406 509.61. Due to absence of the cost information on the donated assets, these assets were accounted for at deemed cost / fair value which is in line with the Municipality's Assets Management policy and GRAP. The following are the details and value of the donated assets:		
Investment property	R 6 700 000	
Roads Infrastructure	R 13 517 400	
Plant and Equipment	R 189 110	
	R 13 706 510	
25. Revenue		
Service charges	450,104,468	406,980,708
Rental of facilities and equipment	1,333,677	1,188,589
Interest received (trading)	12,312,153	12,057,486
Agency services	8,004,170	7,205,556
Licences and permits	721,783	711,014
Other income	33,834,159	38,109,743
Interest received - investment	6,850,014	2,381,124
Property rates	74,146,340	74,098,025
Property rates - penalties imposed	5,186,759	5,368,139
Government grants & subsidies	456,451,570	331,007,220
Fines	Note 54 35,496,947	39,119,913
	1,084,442,040	918,227,517

Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
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25. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	450,104,468	406,980,708
Rental of facilities and equipment	1,333,677	1,188,589
Interest received (trading)	12,312,153	12,057,486
Agency services	8,004,170	7,205,556
Licences and permits	721,783	711,014
Other income	33,834,159	38,109,743
Interest received - investment	6,850,014	2,381,124
	513,160,424	468,634,220

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue

Property rates	74,146,340	74,098,025
Property rates - penalties imposed	5,186,759	5,368,139

Transfer revenue

Government grants & subsidies	456,451,570	331,007,220
Fines	35,496,947	39,119,913
	511,281,616	449,593,297

26. Employee related costs

Salaries and wages	174,694,988	165,568,736
Social contributions	49,014,211	47,881,940
Travel allowance	9,001,765	9,592,777
Overtime payments	23,177,526	19,348,526
Housing allowances	2,645,718	2,556,987
	258,534,208	244,948,966

The increase in employee related costs from the previous year is as a result of an increase of 6% approved for officials.

No advances were made to employees during the year.

Remuneration of Municipal Manager

Annual Remuneration	831,237	609,902
Car allowance	312,373	105,000
Contributions to UIF, Medical and Pension Funds	117,948	51,715
Telephone allowance	12,500	8,750
Leave pay	-	198,229
	1,274,058	973,596

The municipal manager was appointed on 1 September 2015.

Remuneration of Chief Finance Officer

Annual Remuneration	819,793	765,429
Car allowance	284,958	284,958
Contributions to UIF, Medical and Pension Funds	171,073	164,360
Leave pay	40,596	36,475
Telephone allowance	12,000	12,000
Acting allowance	-	52,798
	1,328,420	1,316,020

Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
26. Employee related costs (continued)		
Director Community Services		
Annual Remuneration	979,666	789,598
Car allowance	80,104	164,104
Contributions to UIF, Medical and Pension Funds	74,064	157,508
Leave pay	36,605	32,889
Telephone allowance	12,000	12,000
Acting allowance	-	103,123
	1,182,439	1,259,222
Director Civil Engineering		
Annual Remuneration	881,877	826,805
Car allowance	168,000	168,000
Contributions to UIF, Medical and Pension Funds	101,346	100,815
Telephone allowance	12,000	12,000
	1,163,223	1,107,620
Director Planning and Economic Development		
Annual Remuneration	789,559	-
Car allowance	84,195	-
Contributions to UIF, Medical and Pension Funds	71,890	-
Telephone allowance	11,000	-
	956,644	-
The Director Planning and Economic Development was appointed on 01 August 2015.		
Director Corporate Services		
Annual Remuneration	-	820,305
Car allowance	-	209,000
Contributions to UIF, Medical and Pension Funds	-	36,324
Telephone allowance	-	11,000
Leave pay	-	143,544
	-	1,220,173
The director corporate services resigned with effect from 31 May 2015 and the position was vacant at 30 June 2016.		
Director Electrical Engineering		
Annual Remuneration	1,016,331	952,964
Car allowance	-	10,000
Contributions to UIF, Medical and Pension Funds	139,821	137,532
Telephone allowance	12,000	12,000
Acting allowance	62,522	-
	1,230,674	1,112,496

Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
27. Remuneration of councillors		
Mayor	812,318	771,504
Executive Committee allowance	1,745,151	1,616,961
Speaker and full-time councillors' allowances	4,342,143	3,975,055
Other councillors' allowances	14,190,326	13,714,673
	21,089,938	20,078,193
Mayor		
Annual Remuneration	590,296	559,522
Car allowance	196,765	186,507
Cellphone allowance	20,868	20,868
Contribution to medical aid and pension fund	4,389	4,607
	812,318	771,504
Speaker		
Annual Remuneration	476,338	397,195
Car allowance	153,309	132,398
Cellphone allowance	20,868	20,868
Contribution to medical aid and pension fund	4,643	3,867
	655,158	554,328
Chief Whip		
Annual Remuneration	442,722	419,642
Car allowance	147,574	139,880
Cellphone allowance	20,868	20,868
Contribution to medical aid and pension fund	3,320	3,483
	614,484	583,873

In-kind benefits

The Mayor, Speaker and five Councillors are full-time employees. Each is provided with an office at the cost of the Council.

The Mayor and Speaker have use of Council owned vehicles for official duties.

The Mayor has one full-time secretary, one personal assistant and a gender, youth and disability programme.

The allowances and benefits of councillors of the Municipality, whether financial or in-kind, are within the upper limits of the framework envisaged in section 219 of the Constitution.

Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

28. Employees remuneration

Councillors

2016

	Salary	Travel	Telephone allowance	SETA Levy	Total
Mbowei MN Mr	442,722	147,574	20,868	3,320	614,484
Mmetle DJ Ms	590,296	196,765	20,868	4,389	812,318
Mmola MM Miss	177,927	59,309	20,868	-	258,104
Mokgoloboto MJ Miss	177,927	59,309	20,868	-	258,104
Mushwana TS Mr	177,927	59,309	20,868	-	258,104
Selomo RR Mrs	442,722	147,574	20,868	3,323	614,487
Mothiba MJ Mr	177,927	59,309	20,868	1,396	259,500
Baloyi C Mr	177,927	59,309	20,868	1,396	259,500
Jansen van Vuuren AE Ms	177,927	59,309	20,868	1,395	259,499
Mahori Mr	177,927	59,309	20,868	1,395	259,499
Masetla SP Ms	177,927	59,309	20,868	1,395	259,499
Mhlongo TL Ms	177,927	59,309	20,868	1,395	259,499
Ndove DL Mr	177,927	59,309	20,868	1,395	259,499
Raganya MS Ms	177,927	59,309	20,868	1,395	259,499
Ramolefo ME Ms	177,927	59,309	20,868	1,395	259,499
Sibiya M Ms	177,927	59,309	20,868	1,395	259,499
Mabape MD	177,927	59,309	20,868	1,395	259,499
Mushwana DG	167,054	55,684	19,593	1,348	243,679
MohaleNL Mr	177,927	59,309	20,868	1,395	259,499
Matita TL Mr	177,927	59,309	20,868	1,395	259,499
Mokgobi ML Mr	177,927	59,309	20,868	1,401	259,505
Sekgotodi PJ Mr	244,651	81,550	20,868	1,879	348,948
Mabuza GQ Ms	177,927	59,309	20,868	1,397	259,501
Valentine LM Mr	177,927	59,309	20,868	1,395	259,499
Mbhalati MF Ms	177,927	59,309	20,868	1,395	259,499
Makhudu MR Ms	177,927	59,309	20,868	1,396	259,500
Mohale MM Ms	177,927	59,309	20,868	1,397	259,501
Mashava BM Ms	177,927	59,309	20,868	1,395	259,499
Rikhotso NR Mr	177,927	59,309	20,868	1,396	259,500
Mhlari DQ Ms	177,927	59,309	20,868	1,395	259,499
Nghonyama RP Mr	177,927	59,309	20,868	1,396	259,500
Zandamela NH Ms	177,927	59,309	20,868	1,396	259,500
Banyini OK Mr	177,927	59,309	20,868	1,395	259,499
Mboweni MS Mr	177,927	59,309	20,868	1,395	259,499
Makwala SC Mr	177,927	59,309	20,868	1,395	259,499
Ndhlovu ND Mr	177,927	59,309	20,868	1,396	259,500
Nghondzweni GG Ms	177,927	59,309	20,868	1,395	259,499
Masila NA Mr	177,927	59,309	20,868	1,396	259,500
Pudikabekwa ML Ms	177,927	59,309	20,868	1,395	259,499
Ramodiba PJ Mr	177,927	59,309	20,868	1,396	259,500
Letsoalo MM Ms	177,927	59,309	20,868	1,396	259,500
Makwela MA Mr	177,927	59,309	20,868	1,395	259,499
Mamogale MC Ms	177,927	59,309	20,868	1,342	259,446
Pohl RE Ms	244,651	81,550	20,868	2,266	349,335
Sabela M Ms	177,927	59,309	20,868	1,395	259,499
MC Neil MR MS	177,927	59,309	20,868	1,676	259,780
Magoro MH Ms	177,927	59,309	20,868	1,395	259,499
Maake DT Mr	177,927	59,309	20,868	1,395	259,499
Manyama TS Mr	177,927	59,309	20,868	1,678	259,782
Malebati MA Mr	177,927	59,309	20,868	1,335	259,439
Nkhwashu N Mr	177,927	59,309	20,868	1,677	259,781
Mashele MB Mr	177,927	59,309	20,868	1,676	259,780
Hlangwini MD	4,512	1,504	561	77	6,654
Hlangwane ML Ms	244,651	81,550	20,868	1,887	348,956
Machete PP Mr	177,927	59,309	20,868	1,375	259,479

Greater Tzaneen Municipality

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28. Employees remuneration (continued)

Machimana C Mr	476,338	153,309	20,868	4,643	655,158
Mahasha NM Mr	442,722	147,574	20,868	3,340	614,504
Makwala MM Ms	244,651	81,550	20,868	1,886	348,955
Mangena MG Mr	442,722	147,574	20,868	3,337	614,501
Maunatla SM Mr	177,927	59,309	20,868	1,378	259,482
Mbhalati JHS Mr	177,927	59,309	20,868	1,283	259,387
Mokgomole RM Ms	175,527	59,309	20,868	1,392	257,096
Ncha ML Ms	442,722	147,574	20,868	3,340	614,504
Nkwashu MC Ms	176,727	59,309	20,868	1,391	258,295
Nkuna SJ Ms	173,127	59,309	20,868	1,391	254,695
Ntimbane GE Mr	244,651	81,550	20,868	1,887	348,956
Nukeri TK Mr	442,722	147,574	20,868	3,341	614,505
Shingane MR Mr	177,927	59,309	20,868	1,379	259,483
Muswhana TH Mr	135,970	45,321	15,651	1,332	198,274
	14,675,488	4,889,154	1,413,093	112,203	21,089,938

Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

28. Employees remuneration (continued)

2015

	Salary	Travel allowance	Telephone allowance	Study allowance	Total
SJ Nkuna	176,524	60,441	20,868	1,736	259,569
MC Nkhwashu	180,124	60,441	20,868	1,734	263,167
RM Mokgomole	178,924	60,441	20,868	1,735	261,968
PJ Sekgotodi	230,803	76,934	20,868	1,961	330,566
RE Pohl	230,803	76,934	20,868	2,165	330,770
ML Hlangwane	217,336	72,445	20,868	2,128	312,777
MM Makwala	217,336	72,445	20,868	2,127	312,776
GE Ntimbane	217,331	72,445	20,868	2,131	312,775
MN Mboweni	419,642	139,880	20,868	3,483	583,873
S RR Selomo	419,642	139,880	20,868	3,487	583,877
C Machimana	514,122	74,719	20,868	4,084	613,793
JHS Mbhalati	221,726	73,908	20,868	1,926	318,428
MR Shingange	221,726	73,908	20,868	2,013	318,515
NM Mahasha	365,772	121,924	20,868	3,580	512,144
MG Mangena	365,772	121,924	20,868	3,518	512,082
ML Ncha	365,772	121,924	20,868	3,584	512,148
TK Nukeri	365,772	121,924	20,868	3,577	512,141
DJ Mmetle	559,522	186,507	20,868	4,607	771,504
SS MM Mmola	167,856	55,952	20,868	-	244,676
SS MJ Mokgoloboto	167,856	55,952	20,868	-	244,676
TS Mushwana	167,856	55,952	20,868	-	244,676
MJ Mothiba	167,856	55,952	20,868	1,455	246,131
C Baloyi	167,856	55,952	20,868	1,455	246,131
AE Jasen van Vuuren	167,856	55,952	20,868	1,455	246,131
S Mahori	167,856	55,952	20,868	1,455	246,131
SP Masetla	167,856	55,952	20,868	1,455	246,131
TL Mhlongo	167,856	55,952	20,868	1,455	246,131
DL Ndove	167,856	55,952	20,868	1,455	246,131
MS Raganya	167,856	55,952	20,868	1,455	246,131
ME Ramolefo	167,856	55,952	20,868	1,455	246,131
M Sibiya	167,856	55,952	20,868	1,455	246,131
MD Mabape	167,856	55,952	20,868	1,455	246,131
DG Mushwana	167,856	55,952	20,868	1,455	246,131
NL Mohale	167,856	55,952	20,868	1,455	246,131
TL Matita	167,856	55,952	20,868	1,455	246,131
ML Mokgobi	167,856	55,952	20,868	1,461	246,137
GQ Mabuza	167,856	55,952	20,868	1,459	246,135
LM Valentine	167,856	55,952	20,868	1,455	246,131
MF Mbhalati	167,856	55,952	20,868	1,455	246,131
MR Makhudu	167,856	55,952	20,868	1,455	246,131
MM Mohale	167,856	55,952	20,868	1,455	246,131
BM Mashava	167,856	55,952	20,868	1,455	246,131
NR Rikhotso	167,856	55,952	20,868	1,455	246,131
DQ Mhlarihi	167,856	55,952	20,868	1,455	246,131
RP Nghonyama	167,856	55,952	20,868	1,455	246,131
NH Zandamela	167,856	55,952	20,868	1,455	246,131
OK Banyini	167,856	55,952	20,868	1,455	246,131
MS Mboweni	167,856	55,952	20,868	1,455	246,131
SC Makwala	167,856	55,952	20,868	1,455	246,131
ND Ndhlovu	167,856	55,952	20,868	1,455	246,131
GG Nghondzweni	167,856	55,952	20,868	1,455	246,131
NA Masila	167,856	55,952	20,868	1,457	246,133
ML Pudikabekwa	167,856	55,952	20,868	1,455	246,131
PJ Ramodipa	167,856	55,952	20,868	1,457	246,133
MM Letsoalo	167,856	55,952	20,868	1,455	246,131
MA Makwela	167,856	55,952	20,868	1,455	246,131
MC Mamogale	167,856	55,952	20,868	1,356	246,032

Greater Tzaneen Municipality

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28. Employees remuneration (continued)

M Sabela	167,856	55,952	20,868	1,455	246,131
MR Mc Neil	167,856	55,952	20,868	1,603	246,279
MH Magoro	167,856	55,952	20,868	1,455	246,131
DT Maake	167,856	55,952	20,868	1,455	246,131
TS Manyama	167,856	55,952	20,868	1,604	246,280
MA Malebati	167,856	55,952	20,868	1,395	246,071
N Nkwashu	167,856	55,952	20,868	1,604	246,280
MB Mashele	167,856	55,952	20,868	1,604	246,280
MD Hlangwini	167,856	55,952	20,868	1,416	246,092
PP Machethe	227,711	75,903	20,868	2,052	326,534
SM Maunatlala	221,723	73,913	20,868	1,948	318,452
	13,975,171	4,564,536	1,419,024	119,462	20,078,193

29. Impairment loss

Impairments

Property, plant and equipment	2,431,667	1,906,738
Intangible assets	9,364	-
	2,441,031	1,906,738

In terms of GRAP21, "Impairment of non-cash generating assets", Municipalities are required to assess the impairment of its assets to comply with GRAP standards and asset management policy. Greater Tzaneen Municipality has assessed the impairment of its assets for the financial year ended 30 June 2016. The assessment of impairment of assets has resulted in an impairment loss of R 2,441,031 as a result significant loss in carrying amount of road infrastructure due to physical damage and degradation, as well as intangible assets due to software that is not in use.

30. Finance costs

Finance leases	330,528	197,766
Other interest paid	10,483,225	10,287,955
	10,813,753	10,485,721

31. Repairs and maintenance

Machinery and equipment	90,787	67,228
Lawnmowers	60,567	31,758
Distribution networks	4,990,352	6,866,190
Stormwater, drainage and bridges	1,703,250	3,006,841
Tarred roads	6,897,215	8,045,917
Gravel roads	7,548,432	9,182,616
Streetlights	207,857	149,239
Council-owned land	563,735	571,597
Council-owned buildings	1,479,339	388,848
Council-owned vehicles	1,148,400	2,502,604
Non-council-owned assets (Contractors)	173,215	149,485
Other	595,006	369,335
	25,458,155	31,331,658

32. Bulk purchases

Electricity	301,974,600	267,856,116
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Greater Tzaneen Municipality

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32. Bulk purchases (continued)

Bulk purchases are the cost of electricity not generated by the municipality. The electricity which is purchased from Eskom is sold to consumers.

Water purchases are not included in bulk purchases as the municipality acts as resource provider for Mopani District Municipality with regards to this service. Mopani District Municipality is the water and sewer service authority and those services reflect in their records.

33. Contracted services

Valuation roll	192,570	20,994
Traffic and security services	10,442,111	12,080,787
Refuse removal	9,870,257	8,771,151
Cleaning services	9,477,070	11,113,453
Council owned land	1,296,423	904,601
Information technology	945,796	459,540
Meter reading	1,287,376	1,783,970
Town planning	561,750	4,339
Aerodrum	40,279	-
EPWP	1,827,948	-
Credit control	2,582,768	4,855,052
	38,524,348	39,993,887

34. Grants and subsidies paid

Other subsidies

HPH	29,306	4,898,372
Other grants	124,116,869	23,275,140
Eskom EBSST	2,856,439	2,849,536
Mayor bursary account	815,101	215,000
SPCA	102,500	102,500
Sport Council	106,644	106,644
SETA (Training)	-	12,592
MSIG	789,233	692,071
Mayor special account	28,654	52,684
Grants and subsidies paid	33,326	33,326
Solid waste: EPWP	1,867,779	2,034,221
	130,745,851	34,272,086

Greater Tzaneen Municipality

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35. General expenses		
Auditor's remuneration	4,136,665	3,161,536
Computer rental	2,391,429	998,206
Consulting fees	21,339,715	31,303,333
Consumables	980,006	877,462
Gifts	600	-
Insurance	1,574,992	2,617,174
Conferences and seminars	8,138	-
Fuel and oil	6,045,273	6,058,613
Postage and courier	2,922,911	1,039,174
Printing and stationery	1,846,178	1,422,077
Protective clothing	358,906	235,761
Telephone and fax	1,557,364	1,345,828
Training	1,088,543	364,906
Travel - local	7,084,616	7,146,467
Insurance claims - Own expenditure	599,921	2,997,399
Membership fees - Salga	194,042	2,115,600
Telephone exchange rental	1,403,896	1,226,434
Public education and training	52,500	31,650
Public relations, tourism and marketing	3,073,926	-
Small tools and equipment	275,095	275,702
Lease rentals on operating leases	-	388,322
Forensic auditor's fees	7,542,273	3,249,917
Bank administration fees	1,202,402	1,567,216
Licences and permits	1,580,660	392,773
Cultural day	1,355,170	915,627
Other expenses	10,380,023	7,798,416
	78,995,244	77,529,593
36. Cash generated from operations		
Surplus	24,036,938	33,300,814
Adjustments for:		
Depreciation and amortisation	Note 57 122,677,802	118,190,284
Gain on sale of assets and liabilities	1,989,023	1,753,066
Fair value adjustments	Note 52 1,146,000	335,000
Finance costs - Finance leases	330,528	197,765
Impairment deficit	Note 29 2,441,031	1,906,738
Debt impairment	Note 58 63,863,738	35,787,880
Movements in operating lease assets and accruals	20,190	13,669
Movements in retirement benefit assets and liabilities	9,438,938	12,540,977
Movements in provisions	(1,452,448)	189,902
Changes in working capital:		
Inventories	1,224,779	(1,024,658)
Receivables from exchange transactions	(22,394,200)	2,088,732
Consumer debtors	(65,326,249)	(53,325,210)
Other receivables from non-exchange transactions	(22,020,624)	(22,709,102)
Payables from exchange transactions	5,642,725	(1,836,469)
VAT	217,982	1,402,956
Unspent conditional grants and receipts	(41,001,387)	16,356,034
Consumer deposits	2,114,571	2,596,154
	82,949,337	147,764,532
37. Auditors remuneration		
Fees - Auditor General of South Africa	4,136,665	3,161,536

Greater Tzaneen Municipality

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38. Commitments

Authorised expenditure

Already contracted for but not provided for

• Property, plant and equipment	83,341,446	36,225,872
• Other financial assets	58,442,325	64,163,543
	141,783,771	100,389,415

Total capital commitments

Already contracted for but not provided for	141,783,771	100,389,415
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This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, etc.

The expenditure will be financed by:

- Internal advances	65,329,645	73,661,550
- Government grants: Department of Energy and DBSA	12,819,715	2,855,858
- MIG grants	63,634,411	23,872,007
	141,783,771	100,389,415

39. Contingencies

Contingent liabilities

Contractual disputes

Various contractual claims by contractors suppliers and staff are currently in dispute, and are subject to mediation. The potential extent of the liability cannot be determined, since it is subject to litigation. The provisional estimate based on management assessment is R 139 million. The merits must still be determined and could result in a lesser or greater amount.

Sasekani to Nkowankowa vs Greater Tzaneen Municipality

Arbitration is in progress relating to possible irregular capital expenditure amounting to R 6 329 697. The amount represents the payment for the upgrading of the road R3763 Sasekani to Nkowankowa.	-	6,329,697
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MACP Construction vs Greater Tzaneen Municipality

It is alleged that the Municipality did not honour the contract as the contractor could not finish the nine kilometre project with the tendered amount of R39 000 000 despite variation order of 20% to complete the project.	-	9,000,000
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Greater Tzaneen Municipality

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39. Contingencies (continued)		
Expectra 338 vs Greater Tzaneen Municipality		
GTM on the 29th May 2015, the Municipality was issued with a notice of motion by Expectra 338 demanding payment of R18 500 000 for breach of contract as a service provider. The plaintiff alleged that they were appointed to upgrade a road from gravel to tar, roads D3198/D3215 from Senakwe to Morapalals.	20,711,525	18,500,000
SAMWU vs Greater Tzaneen Municipality		
SAMWU / GTM the local SAMWU instituted an action in the high court against the Municipality who failed to consult the Union at the local forum regarding the policies adopted by the council. The Union is of the view that the Municipality should have consulted them before the policies may be enforced.	-	500,000
Greater Tzaneen Municipality vs Unlawful occupiers of property:		
GTM instructed legal proceedings to interdict the lawful occupiers of property the anticipated amount to be spend on legal fees amount to R300 000	-	300,000
Erick Hide vs Greater Tzaneen Municipality		
Erick Hide sued the Municipality for the water pipe that burst and destroyed the machinery of Erick Hide. They alleged that the damage occurred as a result of the negligence of the Municipality. The anticipated amount is R300 000.	-	300,000
Nkuna Traditional Authority vs Greater Tzaneen Municipality		
This involves the eviction of illegal occupants in and around Nkuna Traditional Authority. The estimated cost is R500 000.	-	500,000
Versatex trading vs Greater Tzaneen Municipality		
This matter involves the Service Level Agreement entered into between GTM and Versatex to conduct job evaluations, however Versatex did not perform in terms of the agreement. The matter has now been referred to arbitration and the anticipated amount to be spent on legal fees is R450 000.	-	450,000
Phadima Phadima Group Holding vs Greater Tzaneen Municipality		
On or during the 2007 to 2009, the parties (the Municipality and Phadima Phadima) entered into three written agreements with regard to the development of an immovable property know as Avis Park Extension 53, Tzaneen ("The Property"). The matter is still pending with leave to appeal in the Supreme Court of Appeal being granted to Phadima Phadima Group Holding	1,000,000	-
Malunga Tax Consultants vs Greater Tzaneen Municipality		
The Municipality is involved in payment dispute with Malunga Tax consultants for not honouring their contract to review and recover VAT, SDL, UIF and PAYE, the matter is still pending in the High Court	4,255,609	-
Siphiwe Engineering and Technologies vs Greater Tzaneen Municipality		
The Municipality has been served with a letter of demand by Siphiwe, who claims that their contract were terminated unlawfully, the matter is still pending at the negotiation level.	83,384,439	-
Bedrock Mining Support (Pty) Ltd vs Greater Tzaneen Municipality		
The Municipality has been taken to Court over claimed negligence of being unable to provide fire breaks to stop fire from burning property of the applicant, the matter is still pening in High Court.	3,317,355	-

Greater Tzaneen Municipality

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39. Contingencies (continued)

Bravospan 252CC vs Greater Tzaneen Municipality

The Municipality applied to court to review and set aside a decision to extend a contract which was done illegally, the case was heard and postponed for judgement and is still pending in the High Court. The municipality won the case and the court order has been granted in our favour for cost, dated 19/08/2016.

9,874,000

-

DS Malatji vs Greater Tzaneen Municipality

The Municipality has appointed Verveen Attorneys as Prosecutors and Ntuli & Noble Incorporated Attorneys as Presiding Officers to handle the Disciplinary Hearing of the Director of Civil Engineering Department, the matter is still pending at the Disciplinary Stage initiated by the Employer in terms of Local Government: Municipal Systems Act 32 of 2000: Local Government: Disciplinary Regulations For Senior Managers of 21 April 2011.

1,028,000

-

Contingent assets

Outstanding insurance claims

The estimated contingent asset for insurance claims amounts to R 8 238 605. The estimation is based on quotations, medical reports, estimates based on previous claims of similar nature, estimates by management and letters of demand received. The merits must all still be determined and could result in a lesser or greater amount. A detailed insurance register is available at the municipality for inspection.

Outstanding SARS claims

The outstanding VAT refund from SARS amounts to R 16 453 257.54. The estimate is based on VAT returns for March 2016 to June 2016 that has not been finalized by SARS. A detailed list is available at the Municipality for inspection.

40. Related parties

Relationships

Municipal Manager	SR Monakedi
Chief Financial Officer	NM Lion
Director Community Services	OZ Mkhombo
Director Civil Engineering	DS Malatji
Director Corporate Services	Vacant
Director Electrical Engineering	P van der Heever
Councillors	Refer to note 29 for list of councillors

All Councillors have disclosed their interest in related parties and no one has the ability to control or exercise significant influence over the Council in making financial and operational decisions.

Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2016

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40. Related parties (continued)

Loans granted to related parties

In terms of the MFMA the municipality may not grant loans to its councillors, management, staff and public with effect from 1 March 2004. Loans granted prior to this date as well as stand sale arrangement are disclosed in note 4 to the annual financial statements.

GTEDA

GTEDA is a Municipal Entity Established by Greater Tzaneen Municipality and performs the function consistent with that of an entity and can not control or influence council in making financial or operational decisions.

Mopani District Municipality

Greater Tzaneen Municipality acts as the service provider for Mopani District Municipality with regards to the water and sewer services. Mopani District Municipality is the water and sewer service authority and those services reflect in their records. Mopani District Municipality has no control over the council of Greater Tzaneen Municipality and can not influence council in making financial or operational decisions.

The municipality had no other related party transactions or balances during the financial year outside of the contractual remuneration of senior management.

There are no share based payments.

Related party transactions

Refer to note 26 for detail of remuneration paid to Section 57 Managers and to note 28 for remuneration paid to Councillors.

Bids awarded to family of employees in service of state.

In terms of Section 45 of the municipal supply chain management regulations any award above R 2 000 to family of employees in the service of the state must be disclosed in the annual financial statements.

The following is a list as recorded:

Name of person	Capacity in which the person is in service	Successful tenderer	Amount
H. Maake	Manager Human Resources	Boabab Trading	203,584
C. Van Der Merwe	Clerk HR	Algernon Traders	109,537
A. Ramaphoko	Clerk	More to Life	220,530
			533,651

41. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

Greater Tzaneen Municipality

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41. Risk management (continued)

Liquidity risk

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. The municipality's policy on counterpart credit exposures ensures that only counterparties of a high credit standing are used for the investments of any excess cash.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant at 30 June 2016.

At 30 June 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Other financial liabilities	27,864,801	127,626,647	-	-
Finance lease obligation	253,825	-	-	-
Payables from exchange transactions (excluding prepayments)	144,586,984	-	-	-
At 30 June 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Other financial liabilities	13,122,036	94,509,259	-	-
Finance lease obligation	576,879	253,826	-	-
Payables from exchange transactions (excluding prepayments)	138,709,541	-	-	-

Greater Tzaneen Municipality

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41. Risk management (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Potential concentrations of credit rate risk consist mainly of investments, loans, trade receivables and other receivables, short-term investment deposits and cash and cash equivalents.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction/ exposure limits, which are included in the municipality's Investments Policy.

Trade receivables comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these customers. Trade receivables are presented net of an allowance for impairment and where appropriate, credit limits are adjusted.

Credit risk pertaining to trade and other debtors is considered to be moderate due to the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers.

In the case of customers whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of interest charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Non-current Receivables and Other Receivables are collectively evaluated annually at reporting date for impairment or discounting. A report on the various categories of customers is drafted to substantiate such evaluation and subsequent impairment / discount, where applicable.

No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents is considered to be low, the maximum exposure is disclosed below.

The maximum credit and interest risk exposure in respect of the relevant financial instruments are as follows:

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2016	2015
Receivables from exchange transactions	183,252,042	160,857,842
Receivables from non-exchange transactions	45,153,383	23,132,759
Cash and cash equivalents	54,369,420	27,977,498
Consumer debtors	117,092,212	115,629,701
Other financial assets	23,085,452	9,041,278

The method for determining the credit quality of the different financial instruments are disclosed in their individual notes.

Greater Tzaneen Municipality

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41. Risk management (continued)

Market risk

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The municipality is exposed to interest rate risk on its investments and long term borrowings.

A sensitivity analysis is done by the municipality on a continuous bases to determine its potential exposure to interest rate charges. Different scenarios are simulated which include renewal of current position and alternative financing. Based on those scenarios the municipality calculates the impact that a change in interest rate will have on the surplus / deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

This risk is managed by investing in investments with different maturity dates. This enables the municipality to re-allocate some of the investments in the event of major fluctuations in interest rates. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings at fixed rates expose the municipality to fair value interest rate risk.

Price risk

The effect of any price risk in the foreseeable future is regarded as minimal given the fact that amounts receivable from the municipality's customers are levied in terms of the relevant statutes. It is not anticipated that given the nature of the municipality's business, changes in the market prices will have a material impact on the trading results of the municipality.

Risk is managed on an ongoing basis.

There has been no change, since the previous financial year to the municipality exposure to market risks on the manner which it manages and measures the risk.

42. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

43. Unauthorised expenditure

Opening balance	25,387,498	96,082,486
Unauthorised expenditure for the year (overspending of budget)	115,005,414	25,387,498
Unauthorised expenditure condoned	(25,387,498)	(96,082,486)
Unauthorised expenditure awaiting authorisation	115,005,414	25,387,498

Unauthorised expenditure for the year is as a result of overspending of the approved budget.

A detailed list of unauthorised expenditure is available at the Municipality for inspection.

No criminal or disciplinary steps have been taken as a consequence of above expenditure.

The unauthorised expenditure has been tabled to Council and is investigated by a committee of Council.

Greater Tzaneen Municipality

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44. Fruitless and wasteful expenditure		
Opening balance	1,320,482	5,822,006
Fruitless and wasteful expenditure	943,172	1,320,482
Fruitless and wasteful expenditure condoned	(1,158,346)	(5,822,006)
Fruitless and wasteful expenditure to be recovered	162,136	-
Fruitless and wasteful expenditure awaiting condonement	1,267,444	1,320,482

The fruitless and wasteful expenditure has been tabled to Council and is investigated by a committee of Council.

No criminal or disciplinary steps have been taken as a consequence of above expenditure.

A detailed list of the fruitless and wasteful expenditure is available at the Municipality for inspection.

45. Irregular expenditure

Opening balance	62,445,004	147,713,057
Add: Irregular Expenditure - current year	21,008,916	62,445,004
Add: Irregular Expenditure - prior year adjustment after investigation	25,156,534	-
Irregular expenditure condoned	(42,060,130)	(147,713,057)
Irregular expenditure awaiting condonement	66,550,324	62,445,004

Analysis of expenditure awaiting condonation per age classification

Current year	21,008,916	62,445,004
Between one year and five years	45,541,408	-
	66,550,324	62,445,004

No criminal or disciplinary steps have been taken as a consequence of the above expenditure.

A detailed list of irregular expenditure is available at the Municipality for inspection

The irregular expenditure has been tabled to Council and is investigated by a committee of Council.

Alleged irregular expenditure under investigation

The municipality had, in terms of Section 32 of the Municipal Finance Management Act (no. 56 of 2003), conducted an investigation/ forensic audit regarding alleged irregular expenditure committed by municipal officials.

The disciplinary process was not finalized as at 30 June 2016. It is therefore not possible to quantify the amount of the alleged irregular expenditure and to identify related parties linked to the allegations.

Once the process is concluded the matter will be resolved by Council.

46. Additional disclosure in terms of Municipal Finance Management Act

Contributions to SALGA

Current year subscription / fee	2,515,111	2,115,601
Amount paid - current year	(2,515,111)	(2,115,601)
	-	-

Skills Development Levy

Current year subscription / fee	2,382,440	2,238,674
Amount paid - current year	(2,382,440)	(2,238,674)
	-	-

Greater Tzaneen Municipality

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46. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Audit fees		
Current year subscription / fee	4,136,665	3,161,536
Amount paid - current year	(4,136,665)	(3,161,536)
	<u>-</u>	<u>-</u>
PAYE and UIF		
Current year subscription / fee	51,278,273	45,430,256
Amount paid - current year	(51,278,273)	(45,430,256)
	<u>-</u>	<u>-</u>
Pension and Medical Aid Deductions		
Current year subscription / fee	61,426,163	58,099,812
Amount paid - current year	(61,426,163)	(58,099,812)
	<u>-</u>	<u>-</u>
Bargaining Council Levy		
Current year levy	126,472	125,786
Amount paid - current year	(126,472)	(125,786)
	<u>-</u>	<u>-</u>
VAT		
VAT payable	<u>29,844,327</u>	<u>29,626,345</u>

VAT output payables and VAT input receivables are shown in note 15.

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

There following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2016.

30 June 2016	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor: ML Mokgobi	2,286	18,356	20,642
Councillors: RP Nghonyama	2,135	15,062	17,197
	<u>4,421</u>	<u>33,418</u>	<u>37,839</u>

Both councillors had not been re-elected and the outstanding accounts will be deducted from the final payment made to them and/or claimed from their pension fund.

47. Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved by the Accounting Officer and noted by Council. The expenses incurred have been approved.

Greater Tzaneen Municipality

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48. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government Gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the financial statements.

Deviation from supply chain management regulations did occur.

Incident

Deviation from supply chain management processes	5,576,951	7,431,803
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A detailed deviation register is available at the Municipality for inspection.

49. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	155,491,448	107,631,295
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External loans have been utilized in accordance with the Municipal Finance Management Act. Refer to note 12 for more detail regarding long-term borrowings.

50. Distribution losses

Electricity distribution losses

Units purchased (kWh)	387,260,290	383,896,085
Units lost during distribution (kWh)	75,794,203	68,436,891
Percentage lost during distribution	19.57 %	17.83 %
Rand value	59,812,445	54,726,095

There is no possibility of recovering any of the material losses.

51. Budget differences

Material differences between budget and actual amounts

51.1 Explanation of variances between approved and final budget

The variance between the approved and final budget is due to adjustments approved on the adjustment budget and virements approved by directors. The increase in the Capital Budget is due to Capital projects rolled over from the previous financial year.

51.2 Explanation of variances greater than 10% between the final budget and actual amounts as disclosed in Appendix E(1) to the Annual Financial Statements.

Greater Tzaneen Municipality

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51. Budget differences (continued)

Revenue

Property rates

The valuation roll lead to the discovery of property that was not provided for in the budget.

Rental of facilities and equipment

The higher than anticipated income is due to the increase in rental agreements.

Interest received

The variance is the result of interest earned on higher investment balance than anticipated. This is a result of continually favourable cashflows during the financial year.

Fines

This increase is the result of cameras used for traffic control which lead to the increase in traffic fine income, more intense law enforcement.

Service charges

The lower than expected revenue on service charges is due to lower than anticipated revenue billed for electricity.

Income from agency fees

The budgeted amount includes the revenue received on behalf of the agency which cannot be regarded as own revenue, only 20% is recognised as own revenue.

Licences and permits

The variance is due higher than expected revenue from issuing of licences and permits especially building plans approved and clearance certificates issued.

Other income

This higher than anticipated income is due to higher than expected revenue on almost all items especially stores handling fees and grant administration.

Expenditure

Collection cost

Variance due to higher than anticipated commission paid to the collection agency, which is based on the actual income received.

Finance cost

The higher than anticipated finance cost is due to loans taken up to finance INEP projects as a front loading programme.

Debt impairment

The variance is due to the debt collection strategy. The impairment of traffic fines is however the highest contributing factor

Grants and subsidies paid

The variance is due to the lower than anticipated amount paid to comply with National Treasury requirements.

52. Fair value adjustments

Investment property (Fair value model)	(1,146,000)	-
Stands held for sale	-	(335,000)
	<u>(1,146,000)</u>	<u>(335,000)</u>

Greater Tzaneen Municipality

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53. Investment revenue

Interest revenue

Interest received - investment	6,850,014	2,381,124
Interest received - trading	12,312,153	12,057,486
	19,162,167	14,438,610

An amount of R 3 516 059 (2015: R 1 301 962) included in Investment revenue arises from fixed deposit transactions amounting to R 167 205 619 (2015: R 262 502 021), while the balance of R 3 333 955 (2015: R 1 079 162) arises from interest received on the municipalities current bank account.

54. Fines revenue

Revenue for traffic fines issued	34,984,150	38,578,185
Other fines	512,797	541,728
	35,496,947	39,119,913

55. Loss on disposal of assets

Property, plant and equipment	(110,073)	(105,336)
Investment property	(1,400,000)	(1,560,000)
Stands held for sale	(478,950)	(87,730)
	(1,989,023)	(1,753,066)

56. Public contributions and donations

Conditions still to be met - remain liabilities (see note 17)

Provide explanations of conditions still to be met and other relevant information

57. Depreciation and amortisation

Property, plant and equipment	121,885,470	117,939,590
Intangible assets	792,332	250,694
	122,677,802	118,190,284

58. Debt impairment

Receivables from exchange transactions	5,571,113	4,451,570
Receivables from non-exchange transactions	49,876,091	21,151,689
Fines	8,416,534	10,184,621
	63,863,738	35,787,880

59. Change in estimate

Property, plant and equipment

The municipality has reassessed the useful lives of property, plant and equipment which resulted in certain assets reaming useful lives to change from ten (10) to eleven (11) years on average. The effect of the change in accounting estimates has resulted in a decrease of depreciation amounting to R 8 470 900 for the current period. The effect on future periods could not reasonably be determined.

The change in estimates affected the following classes of assets:

- Infrastructure assets
- Community assets
- Other assets

Greater Tzaneen Municipality

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60. Prior period errors

The correction of the errors are as follows:.

Statement of Financial Position 2014

R 32 616 **PPE**

2014/06/30 Capitalisation of infrastructure assets not previously capitalised R108 491.23
2014/06/30 Reduction of Work in progress due to projects completed in the prior year -R108 491.23
2014/06/30 Capitalisation of Infrastructure installed in the prior year R536723.10
2014/06/30 reduction of Work in progress due to projects completed in the prior year -R536 723.10
2014/06/30 Accumulated depreciation of Infrastructure assets not capitalised in the prior year -R21 618.01
2014/06/30 Accumulated Depreciation for Infrastructure assets previously not capitalised -R10 999.81

R 25 078 523 **Accumulated Surplus**

2014/06/30 Accumulated Depreciation for Infrastructure assets previously not capitalised -R10 999.81
2014/06/30 Accumulated depreciation of Infrastructure assets not capitalised in the prior year -R21 618.01
2014/06/30 Deficit on water and sewer services MDM R25 111 141

Statement of Financial Position 2015

R 10 832 458.49 **PPE**

2014/06/30 Capitalisation of infrastructure assets not previously capitalised R108 491.23
2014/06/30 Reduction of Work in progress due to projects completed in the prior year -R108 491.23
2014/06/30 Capitalisation of Infrastructure installed in the prior year R536723.10
2014/06/30 reduction of Work in progress due to projects completed in the prior year -R536 723.10
2014/06/30 Accumulated Depreciation for Infrastructure assets previously not capitalised -R10 999.81
2014/06/30 Accumulated depreciation of Infrastructure assets not capitalised in the prior year R21 618.01
2015/06/30 Capitalisation of infrastructure assets due liability owed to contractors R3 280 794.92
2015/06/30 Accumulated Depreciation for Infrastructure assets previously not capitalised -R303.78
2015/06/30 Accumulated Depreciation for Infrastructure assets previously not capitalised -R10 849.12
2015/06/30 Capitalisation of infrastructure assets not previously capitalised R468 800.19
2015/06/30 Re-allocation of Work in Progress not capitalised R195 592.40
2015/06/30 Accumulated depreciation of infrastructure assets not previously capitalised -R2 886.92
2015/06/30 Capitalisation of infrastructure due to incorrect amount capitalised R137 030.30
2015/06/30 Accumulated depreciation of Infrastructure assets not capitalised in the prior year -R26 836.16
2015/06/30 Capitalisation of Electricity Infrastructure completed in the prior year R6 808 801.26
2015/06/30 Reductuin of work in progress due to electricity project completed in the prior year -R6 808 801.26
2015/06/30 Accumulated depreciation of Electricity infrastructure completed in the prior year -R281 190.12
2015/06/30 Reduction of work in progress due to RAL roads incorrectly classified as PPE -R14 560 007.38

R 3 280 795 **Accounts Payable**

2015/06/30 Capitalisation of infrastructure assets due liability owed to contractors R3 280 794.92

R 539 331 **Accumulated Surplus**

2015/06/30 Incorrect allocation of bursary loan balance R539 331.00

R 539 331 **Bursary loans**

2015/06/30 Incorrect allocation of bursary loan balance R539 331.00

R 30 764 370 **Traffic fines: Debtors**

2015/06/30 Traffic fines income recognised for the year R30 764 370

Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2016

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60. Prior period errors (continued)

R 10 184 621 Traffic fines: Provision for impairment

2015/06/30 Provision for impairment i.r.o traffic fines not accounted for R10 184 621

Statement of Financial Position	2014 previously reported	Correction of errors	2014 Restated
Assets			
Current Assets			
Inventories	16,343,697	-	16,343,697
Other financial assets	1,358,768	-	1,358,768
Operating lease asset	130,749	-	130,749
Receivables from exchange transaction	188,057,714	(25,111,140)	162,946,574
Receivables from non-exchange transactions	423,657	-	423,657
Consumer debtors	98,092,370	-	98,092,370
Cash and cash equivalents	23,822,041	-	23,822,041
Non - Current Assets			
Investment properties	182,157,000	-	182,157,000
Property, plant and equipment	1,661,261,664	(32,617)	1,661,229,047
Intangible assets	156,235	-	156,235
Other Financial assets	6,646,402	-	6,646,402
Liabilities			
Current Liabilities			
Other financial liabilities	(12,014,682)	-	(12,014,682)
Finance lease obligation	(2,171,874)	-	(2,171,874)
Payables from exchange transactions	(148,221,598)	-	(148,221,598)
VAT Payable	(28,223,389)	-	(28,223,389)
Consumer debtors	(18,436,179)	-	(18,436,179)
Unspent conditional grants and receipts	(44,079,479)	-	(44,079,479)
Provisions	(2,614,676)	-	(2,614,676)
Non-Current Liabilities			
Other financial liabilities	(107,631,295)	-	(107,631,295)
Finance lease obligation	(415,637)	-	(415,637)
Employee benefit obligation	(63,783,845)	-	(63,783,845)
Provisions	(3,159,975)	-	(3,159,975)
Accumulated surplus	1,747,697,668	(25,143,757)	1,722,553,911

Statement of Financial Position	2015 previously reported	Correction of errors	2015 Restated
Assets			
Current Assets			
Inventories	17,368,355	-	17,368,355
Other financial assets	1,483,913	-	1,483,913
Operating lease asset	117,080	-	117,080
Receivables from exchange transactions	185,429,651	(24,571,809)	160,857,842
Receivables from non-exchange transactions	2,553,010	20,579,749	23,132,759
Consumer debtors	115,629,701	-	115,629,701
Cash and cash equivalents	27,977,498	-	27,977,498
Non-Current Assets			
Investment property	189,945,000	-	189,945,000
Property, plant and equipment	1,670,008,187	(10,832,460)	1,659,175,727
Intangible assets	840,181	-	840,181
Other financial assets	7,557,365	-	7,557,365
Liabilities			
Current Liabilities			
Other financial liabilities	(13,122,036)	-	(13,122,036)
Finance lease obligation	(576,879)	-	(576,879)
Payables from exchange transactions	(143,104,321)	(3,280,808)	(146,385,129)

Greater Tzaneen Municipality

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Notes to the Financial Statements

Figures in Rand		2016	2015
60. Prior period errors (continued)			
VAT Payable	(29,626,345)	-	(29,626,345)
Consumer deposits	(21,032,333)	-	(21,032,333)
Unspent conditional grants and receipts	(60,435,514)	-	(60,435,514)
Provisions	(2,488,580)	-	(2,488,580)
Non-Current Liabilities			
Other financial liabilities	(94,509,259)	-	(94,509,259)
Finance lease obligation	(253,826)	-	(253,826)
Employee benefit obligation	(76,324,822)	-	(76,324,822)
Provisions	(3,475,973)	-	(3,475,973)
Accumulated surplus	1,773,960,053	(18,105,328)	1,755,854,725

Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
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60. Prior period errors (continued)

Statement of Financial Performance 2015

R 322 066 Depreciation

2015/06/30 Depreciation of R2 886.92 due to infrastructure assets not previously capitalized
 2015/06/30 Depreciation for Infrastructure project capitalized with incorrect amount R303.78
 2015/06/30 Depreciation for Electricity project not previously capitalized R10 849.12
 2015/06/30 Depreciation of Electricity infrastructure completed in the prior year R26 836.16
 2015/06/30 Depreciation of Electricity infrastructure completed in the prior year R281 190.12

R 801 423 Repairs and Maintenance

2015/06/30 Roads infrastructure incorrectly classified as repairs and maintenance R468 800
 2015/06/30 Roads infrastructure incorrectly classified as repairs and maintenance R195 592
 2015/06/30 Roads infrastructure incorrectly classified as repairs and maintenance R137 030

R 30 764 370 Traffic fines

2015/06/30 Traffic fines income recognized for the year R30 764 370

R 21 180 261 Bad debts written off: Fines

2015/06/30 Bad debt written off not accounted for R21 180 261.00

R 14 560 007 Grants and Subsidies Paid

2015/06/30 Construction of RAL roads incorrectly classified as work in progress R14 560 007.38

Statement of Financial Performance	2014 previously stated	Adjustment of errors	2014 Restated
Revenue			
Revenue from exchange transactions			
Service charges	362,004,404	-	362,004,404
Rental of facilities and equipment	1,179,344	-	1,179,344
Interest received (trading)	10,868,709	-	10,868,709
Agency services	6,360,327	-	6,360,327
Licences and permits	540,614	-	540,614
Other income	19,184,092	-	19,184,092
Interest received - investment	2,164,145	-	2,164,145
Revenue from exchange transactions			
Taxation revenue			
Property rates	66,345,319	-	66,345,319
Property rates - penalties imposed	4,770,262	-	4,770,262
Transfer revenue			
Government grants and subsidies	309,061,237	-	309,061,237
Donations	155,300,000	-	155,300,000
Fines	3,665,353	-	3,665,353
Expenditure			
Employee related cost	(249,469,283)	2,394,176	(247,075,107)
Remuneration of councillors	(19,031,200)	-	(19,031,200)
Loss on inventory	744,777	-	744,777
Depreciation and amortisation	(110,963,755)	(32,618)	(110,996,373)
Impairment of assets	(8,404,148)	-	(8,404,148)
Finance cost	(11,786,977)	-	(11,786,977)
Debt impairment	(21,745,127)	-	(21,745,127)
Collection cost	(175,731)	-	(175,731)
Repairs and maintenance	(20,522,496)	(2,394,174)	(22,916,670)
Bulk purchases	(239,064,261)	-	(239,064,261)

Greater Tzaneen Municipality

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Notes to the Financial Statements

Figures in Rand	2016	2015
60. Prior period errors (continued)		
Contracted services	(40,643,481)	(40,643,481)
Grants and subsidies paid	(32,291,163)	(32,291,163)
General expenses	(57,546,548)	(57,546,548)
Loss on disposal of assets	(8,090,388)	(8,090,388)
Fair value of adjustments	16,352,038	16,352,038
	138,806,063	(32,616)
		138,773,447

Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand	2016	2015	
60. Prior period errors (continued)			
Statement of Financial Performance			
	2015 previously restated	Adjustment of errors	2015 Restated
Revenue			
Revenue from exchange transactions			
Service charges	406,980,708	-	406,980,708
Rental of facilities and equipment	1,188,589	-	1,188,589
Interest received (trading)	12,057,486	-	12,057,486
Agency services	7,205,556	-	7,205,556
Licenses and permits	711,014	-	711,014
Other income	27,323,317	10,786,426	38,109,743
Interest received - investment	2,381,124	-	2,381,124
Taxation revenue			
Property rates	74,098,025	-	74,098,025
Property rates - penalties imposed	5,368,139	-	5,368,139
Transfer revenue			
Government grants & subsidies	341,793,646	(10,786,426)	331,007,220
Fines	8,355,543	30,764,370	39,119,913
Expenditure			
Employee related cost	(244,948,968)	-	(244,948,968)
Remuneration of councillors	(20,078,193)	-	(20,078,193)
Loss on inventory	(98,966)	-	(98,966)
Depreciation and amortisation	(117,868,220)	(322,064)	(118,190,284)
Impairment of assets	(1,906,738)	-	(1,906,738)
Finance costs	(10,485,721)	-	(10,485,721)
Debt impairment	(25,603,260)	(10,184,620)	(35,787,880)
Collection costs	(358,549)	-	(358,549)
Repairs and maintenance	(32,133,079)	801,421	(31,331,658)
Bulk purchases	(267,856,116)	-	(267,856,116)
Contracted services	(39,993,885)	-	(39,993,885)
Grants and subsidies paid	(19,712,079)	(14,560,007)	(34,272,086)
General expenses	(78,068,922)	539,329	(77,529,593)
Loss on disposal of assets and liabilities	(1,753,066)	-	(1,753,066)
Fair value adjustments	(335,000)	-	(335,000)
Surplus/(loss) for the year	26,262,385	7,038,429	33,300,814

Greater Tzaneen Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

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60. Prior period errors (continued)

Cash Flow Statement

	2015 previously stated	Adjustment of errors	2015 restated
Cash flows from operating activities			
Receipts			
Taxation revenue	444,194,895	(375,908,949)	68,285,946
Grants	358,149,681	5,624,384	363,774,065
Interest income	4,803,570	(2,422,446)	2,381,124
Agency fees, fines and other receipts	55,614,320	(55,614,320)	-
Sale of goods and services	-	461,984,716	461,984,716
Payments			
Employee costs	(252,789,390)	303,208	(252,486,182)
Suppliers	(422,065,730)	(63,821,451)	(485,887,181)
Finance cost	(10,287,956)	-	(10,287,956)
Grants and subsidies paid	(19,712,079)	19,712,079	-
Cash flows from investing activities			
Additions to property, plant and equipment	(262,287,380)	3,668,977	(258,618,403)
Transfers from work in progress	133,911,258	6,808,801	140,720,059
Proceeds on disposals of property, plant and equipment	105,336	(9,453,336)	(9,348,000)
Additions to investment property	(9,348,000)	8,413,359	(934,641)
Proceeds from sale of investment property	(193,066)	(1,178,042)	(1,371,108)
Additions to intangible assets	(934,641)	934,641	-
Increase in financial assets	(1,036,108)	1,036,108	-
Loss on disposal of assets	-	(87,730)	(87,730)
Cash flow from financing activities			
Repayment of other financial liabilities	(12,014,681)	-	(12,014,681)
Finance lease payments	(1,954,571)	-	(1,954,571)
	4,155,458	-	4,155,457

Appendix A

June 2016

Schedule of external loans as at 30 June 2016

	Balance at 30 June 2016	Received during the period	Redeemed written off during the period	Balance at 30 June 2017
	Rand	Rand	Rand	Rand
Annuity loans				
DBSA	-	31,300,000	-	31,300,000
ABSA	24,222,191	-	3,359,487	20,862,704
DBSA	36,566,940	-	1,516,728	35,050,212
INCA	11,483,319	-	2,797,996	8,685,323
STANDARD BANK	14,186,430	-	2,844,600	11,341,830
STANDARD BANK	6,172,416	-	2,921,036	3,251,380
	92,631,296	31,300,000	13,439,847	110,491,449
Loan stock				
STANDARD BANK	-	30,000,000	-	30,000,000
DEVELOPMENT BANK OF SA	15,000,000	-	-	15,000,000
	15,000,000	30,000,000	-	45,000,000
Total external loans				
Annuity loans	92,631,296	31,300,000	13,439,847	110,491,449
Loan stock	15,000,000	30,000,000	-	45,000,000
	107,631,296	61,300,000	13,439,847	155,491,449

June 2016

Analysis of property, plant and equipment as at 30 June 2016	
Cost/Revaluation	Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land	108,830,310	-	-	-	-	-	108,830,310	-	-	-	-	-	-	108,830,310
	108,830,310	-	-	-	-	-	108,830,310	-	-	-	-	-	-	108,830,310
Infrastructure														
Roads	1,131,264,675	70,245,893	-	-	-	-	1,201,510,568	(414,923,903)	-	-	(70,410,676)	(2,290,765)	(487,625,344)	713,885,224
Storm water	41,532,409	-	-	-	-	-	41,532,409	(22,840,387)	-	-	(2,867,561)	-	(25,707,948)	15,824,461
Solid Waste	1,577,142	-	-	-	-	-	1,577,142	(293,501)	-	-	(51,353)	-	(344,854)	1,232,288
Buildings	374,291	398,646	-	-	-	-	772,937	(124,718)	-	-	(22,263)	-	(146,981)	625,956
Reticulation	18,369,256	7,524,843	-	-	-	-	25,894,099	(2,497,355)	-	-	(897,523)	(77,402)	(3,472,280)	22,421,819
Refuse sites	44,413,261	-	-	-	-	-	44,413,261	(7,624,938)	-	-	(1,578,547)	-	(9,203,485)	35,209,776
Airports	191,751	-	-	-	-	-	191,751	(38,403)	-	-	(19,175)	-	(57,578)	134,173
Plant and Machinery	203,695	-	-	-	-	-	203,695	(91,739)	-	-	(23,579)	-	(115,318)	88,377
Traffic	347,170	-	-	-	-	-	347,170	(185,041)	-	-	(23,118)	-	(208,159)	139,011
Water	198,000	-	-	-	-	-	198,000	(39,654)	-	-	(19,800)	-	(59,454)	138,546
Electricity	883,997,368	1,002,213	-	-	-	-	884,999,581	(299,562,561)	-	-	(36,780,613)	(63,500)	(336,406,674)	548,592,907
Land and Buildings	5,914,967	410,622	-	-	-	-	6,325,589	(3,010,630)	-	-	(287,568)	-	(3,298,198)	3,027,391
	2,128,383,985	79,582,217	-	-	-	-	2,207,966,202	(751,232,830)	-	-	(112,981,776)	(2,431,667)	(866,646,273)	1,341,319,929
Community Assets														
Parks & gardens	28,369,500	31,536	-	-	-	-	28,401,036	(1,788,918)	-	-	(113,457)	-	(1,902,375)	26,498,661
Fencing	41,929	438,440	-	-	-	-	480,369	(20,380)	-	-	(14,665)	-	(35,045)	445,324
Roads	11,301,760	152,640	-	-	-	-	11,454,400	(3,002,126)	-	-	(382,055)	-	(3,384,181)	8,070,219
Municipal offices	15,375,000	937,802	-	-	-	-	16,312,802	(7,128,542)	-	-	(562,191)	-	(7,690,733)	8,622,069
Libraries	7,350,000	192,888	-	-	-	-	7,542,888	(786,109)	-	-	(53,527)	-	(839,636)	6,703,252
Traffic centre	862,000	-	-	-	-	-	862,000	(48,738)	-	-	(3,319)	-	(52,057)	809,943
Museums	1,300,000	7,643	-	-	-	-	1,307,643	(235,832)	-	-	(16,058)	-	(251,890)	1,055,753
Airports	128,586	-	-	-	-	-	128,586	(128,586)	-	-	-	-	(128,586)	-
Recreational facilities	8,430,667	13,116,578	-	-	-	-	21,547,245	(5,960,074)	-	-	(841,797)	-	(6,801,871)	14,745,374
Cemetries	3,702,000	75,737	-	-	-	-	3,777,737	(302,555)	-	-	(18,881)	-	(321,436)	3,456,301
Road and Subgrade	597,216	812,423	-	-	-	-	1,409,639	(298,813)	-	-	(100,196)	-	(399,009)	1,010,630
Buildings	1,070,152	8,072,883	-	-	-	-	9,143,035	(431,993)	-	-	(322,332)	-	(754,325)	8,388,710
Land and buildings	1,296,000	-	-	-	-	-	1,296,000	-	-	-	-	-	-	1,296,000
	79,824,810	23,838,570	-	-	-	-	103,663,380	(20,132,666)	-	-	(2,428,478)	-	(22,561,144)	81,102,230

Appendix B

June 2016

Analysis of property, plant and equipment as at 30 June 2016

Cost/Revaluation Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Work in progress														
Work in progress	83,071,588	67,535,021	-	(91,096,104)	-	-	59,510,505	-	-	-	-	-	-	59,510,505
	83,071,588	67,535,021	-	(91,096,104)	-	-	59,510,505	-	-	-	-	-	-	59,510,505
Leased assets														
Leased assets	12,458,611	-	(85,424)	-	-	-	12,373,187	(8,409,246)	85,423	-	(710,453)	-	(9,034,276)	3,338,911
	12,458,611	-	(85,424)	-	-	-	12,373,187	(8,409,246)	85,423	-	(710,453)	-	(9,034,276)	3,338,911
Other assets														
Computer equipment	7,342,680	313,365	(56,278)	-	-	-	7,599,767	(4,526,492)	55,610	-	(656,684)	-	(5,127,566)	2,472,201
Furniture and Fittings	1,978,870	34,651	(18,196)	-	-	-	1,995,325	(1,332,641)	18,082	-	(120,117)	-	(1,434,676)	560,649
Office Equipment	3,208,344	3,959	(695,025)	-	-	-	2,517,278	(2,458,326)	609,632	-	(206,353)	-	(2,055,047)	462,231
Electricity	56,299	-	-	-	-	-	56,299	(37,894)	-	-	(4,693)	-	(42,587)	13,712
Plant and Machinery	9,192,192	1,377,007	(176,962)	-	-	-	10,392,237	(5,994,441)	153,153	-	(708,300)	-	(6,549,588)	3,842,649
Health Equipment	244,936	-	-	-	-	-	244,936	(231,191)	-	-	(4,029)	-	(235,220)	9,716
Parks	30,718	-	-	-	-	-	30,718	(12,403)	-	-	(1,536)	-	(13,939)	16,779
Buildings	5,416,005	-	-	-	-	-	5,416,005	(2,249,547)	-	-	(234,046)	-	(2,483,593)	2,932,412
Security Measures	632,195	-	-	-	-	-	632,195	(194,129)	-	-	(28,978)	-	(223,107)	409,088
Weapons	105,048	-	-	-	-	-	105,048	(72,139)	-	-	(6,944)	-	(79,083)	25,965
Motor Vehicles	36,719,726	-	-	-	-	-	36,719,726	(21,444,815)	-	-	(3,637,515)	-	(25,082,330)	11,637,396
Land	4,788	-	-	-	-	-	4,788	-	-	-	-	-	-	4,788
Minor Assets	1,151,096	155,706	(30,401)	-	-	-	1,276,401	(1,147,713)	30,312	-	(155,566)	-	(1,272,967)	3,434
	66,082,897	1,884,688	(976,862)	-	-	-	66,990,723	(39,701,731)	866,789	-	(5,764,761)	-	(44,599,703)	22,391,020

June 2016

Analysis of property, plant and equipment as at 30 June 2016	
Cost/Revaluation	Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	108,830,310	-	-	-	-	-	108,830,310	-	-	-	-	-	-	108,830,310
Infrastructure	2,128,383,985	79,582,217	-	-	-	-	2,207,966,202	(751,232,830)	-	-	(112,981,776)	(2,431,667)	(866,646,273)	1,341,319,929
Community Assets	79,824,810	23,838,570	-	-	-	-	103,663,380	(20,132,666)	-	-	(2,428,478)	-	(22,561,144)	81,102,236
Work in progress	83,071,588	67,535,021	-	(91,096,104)	-	-	59,510,505	-	-	-	-	-	-	59,510,505
Leased assets	12,458,611	-	(85,424)	-	-	-	12,373,187	(8,409,246)	85,423	-	(710,453)	-	(9,034,276)	3,338,911
Other assets	66,082,897	1,884,688	(976,862)	-	-	-	66,990,723	(39,701,731)	866,789	-	(5,764,761)	-	(44,599,703)	22,391,020
	2,478,652,201	172,840,496	(1,062,286)	(91,096,104)	-	-	2,559,334,307	(819,476,473)	952,212	-	(121,885,468)	(2,431,667)	(942,841,396)	1,616,492,911
Intangible Assets														
Computer \software	1,280,296	542,641	-	-	-	-	1,822,937	(440,116)	-	-	(792,332)	(9,365)	(1,241,813)	581,124
Investment properties														
Investment property	189,945,000	6,700,000	(1,400,000)	-	-	-	195,245,000	-	-	-	-	-	-	195,245,000
	189,945,000	6,700,000	(1,400,000)	-	-	-	195,245,000	-	-	-	-	-	-	195,245,000
Total														
Land and buildings	108,830,310	-	-	-	-	-	108,830,310	-	-	-	-	-	-	108,830,310
Infrastructure	2,128,383,985	79,582,217	-	-	-	-	2,207,966,202	(751,232,830)	-	-	(112,981,776)	(2,431,667)	(866,646,273)	1,341,319,929
Community Assets	79,824,810	23,838,570	-	-	-	-	103,663,380	(20,132,666)	-	-	(2,428,478)	-	(22,561,144)	81,102,236
Work in progress	83,071,588	67,535,021	-	(91,096,104)	-	-	59,510,505	-	-	-	-	-	-	59,510,505
Leased assets	12,458,611	-	(85,424)	-	-	-	12,373,187	(8,409,246)	85,423	-	(710,453)	-	(9,034,276)	3,338,911
Other assets	66,082,897	1,884,688	(976,862)	-	-	-	66,990,723	(39,701,731)	866,789	-	(5,764,761)	-	(44,599,703)	22,391,020
Intangible Assets	1,280,296	542,641	-	-	-	-	1,822,937	(440,116)	-	-	(792,332)	(9,365)	(1,241,813)	581,124
Investment properties	189,945,000	6,700,000	(1,400,000)	-	-	-	195,245,000	-	-	-	-	-	-	195,245,000
	2,669,877,497	180,083,137	(2,462,286)	(91,096,104)	-	-	2,756,402,244	(819,916,589)	952,212	-	(122,677,800)	(2,441,032)	(944,083,209)	1,812,319,035

Appendix B

June 2016

Analysis of property, plant and equipment as at 30 June 2015

Cost/Revaluation

Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land	108,830,310	-	-	-	-	-	108,830,310	-	-	-	-	-	-	108,830,310
	108,830,310	-	-	-	-	-	108,830,310	-	-	-	-	-	-	108,830,310
Infrastructure														
Roads	992,360,392	138,904,284	-	-	-	-	1,131,264,676	(347,393,364)	-	-	(65,623,802)	(1,906,738)	(414,923,904)	716,340,772
Storm water	41,532,409	-	-	-	-	-	41,532,409	(20,293,264)	-	-	(2,547,123)	-	(22,840,387)	18,692,022
Solid Waste	1,577,142	-	-	-	-	-	1,577,142	(242,148)	-	-	(51,353)	-	(293,501)	1,283,641
Buildings	374,291	-	-	-	-	-	374,291	(104,001)	-	-	(20,717)	-	(124,718)	249,573
Reticulation	14,397,603	3,971,653	-	-	-	-	18,369,256	(1,911,626)	-	-	(585,730)	-	(2,497,356)	15,871,900
Refuse sites	44,413,261	-	-	-	-	-	44,413,261	(6,046,391)	-	-	(1,578,547)	-	(7,624,938)	36,788,323
Airports	191,751	-	-	-	-	-	191,751	(19,228)	-	-	(19,175)	-	(38,403)	153,348
Plant and Machinery	203,695	-	-	-	-	-	203,695	(51,000)	-	-	(40,739)	-	(91,739)	111,956
Traffic	347,170	-	-	-	-	-	347,170	(161,923)	-	-	(23,118)	-	(185,041)	162,129
Water	198,000	-	-	-	-	-	198,000	(19,854)	-	-	(19,800)	-	(39,654)	158,346
Electricity	882,562,454	1,607,746	(172,832)	-	-	-	883,997,368	(263,024,093)	67,496	-	(36,605,964)	-	(299,562,561)	584,434,807
Land and Buildings	5,914,967	-	-	-	-	-	5,914,967	(2,720,475)	-	-	(290,155)	-	(3,010,630)	2,904,337
	1,984,073,135	144,483,683	(172,832)	-	-	-	2,128,383,986	(641,987,367)	67,496	-	(107,406,223)	(1,906,738)	(751,232,832)	1,377,151,154
Community Assets														
Parks & gardens	28,369,500	-	-	-	-	-	28,369,500	(1,565,418)	-	-	(223,500)	-	(1,788,918)	26,580,582
Fencing	41,929	-	-	-	-	-	41,929	(16,786)	-	-	(3,594)	-	(20,380)	21,549
Roads	11,301,760	-	-	-	-	-	11,301,760	(2,622,200)	-	-	(379,926)	-	(3,002,126)	8,299,634
Municipal offices	15,375,000	-	-	-	-	-	15,375,000	(6,566,350)	-	-	(562,192)	-	(7,128,542)	8,246,458
Libraries	7,350,000	-	-	-	-	-	7,350,000	(700,411)	-	-	(85,698)	-	(786,109)	6,563,891
Traffic centre	862,000	-	-	-	-	-	862,000	(43,425)	-	-	(5,313)	-	(48,738)	813,262
Museums	1,300,000	-	-	-	-	-	1,300,000	(210,123)	-	-	(25,709)	-	(235,832)	1,064,168
Airports	128,586	-	-	-	-	-	128,586	(128,586)	-	-	-	-	(128,586)	-
Recreational facilities	8,430,667	-	-	-	-	-	8,430,667	(5,294,136)	-	-	(665,938)	-	(5,960,074)	2,470,593
Cemeteries	3,702,000	-	-	-	-	-	3,702,000	(264,755)	-	-	(37,800)	-	(302,555)	3,399,445
Road and Subgrade	597,216	-	-	-	-	-	597,216	(239,091)	-	-	(59,722)	-	(298,813)	298,403
Buildings	1,070,152	-	-	-	-	-	1,070,152	(324,020)	-	-	(107,973)	-	(431,993)	638,159
Land and Buildings	1,296,000	-	-	-	-	-	1,296,000	-	-	-	-	-	-	1,296,000
	79,824,810	-	-	-	-	-	79,824,810	(17,975,301)	-	-	(2,157,365)	-	(20,132,666)	59,692,144

Appendix B

June 2016

Analysis of property, plant and equipment as at 30 June 2015

Cost/Revaluation

Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Work in Progress														
Work in Progress	112,096,535	111,695,112	-	(140,720,059)	-	-	83,071,588	-	-	-	-	-	-	83,071,588
	112,096,535	111,695,112	-	(140,720,059)	-	-	83,071,588	-	-	-	-	-	-	83,071,588
Leased Assets														
Leased Assets	11,984,909	473,702	-	-	-	-	12,458,611	(7,549,389)	-	-	(859,858)	-	(8,409,247)	4,049,364
	11,984,909	473,702	-	-	-	-	12,458,611	(7,549,389)	-	-	(859,858)	-	(8,409,247)	4,049,364
Other assets														
Computer Equipment	6,624,203	718,477	-	-	-	-	7,342,680	(3,810,979)	-	-	(715,513)	-	(4,526,492)	2,816,188
Furniture and Fittings	1,876,587	102,284	-	-	-	-	1,978,871	(1,196,634)	-	-	(136,007)	-	(1,332,641)	646,230
Office Equipment	3,020,164	188,181	-	-	-	-	3,208,345	(2,199,610)	-	-	(258,715)	-	(2,458,325)	750,020
Electricity	56,299	-	-	-	-	-	56,299	(33,201)	-	-	(4,693)	-	(37,894)	18,405
Plant and Machinery	9,080,038	112,154	-	-	-	-	9,192,192	(5,145,554)	-	-	(848,887)	-	(5,994,441)	3,197,751
Health Equipment	244,936	-	-	-	-	-	244,936	(214,112)	-	-	(17,079)	-	(231,191)	13,745
Parks	30,718	-	-	-	-	-	30,718	(10,867)	-	-	(1,536)	-	(12,403)	18,315
Buildings	5,416,005	-	-	-	-	-	5,416,005	(1,973,771)	-	-	(275,776)	-	(2,249,547)	3,166,458
Security Measures	632,195	-	-	-	-	-	632,195	(165,151)	-	-	(28,978)	-	(194,129)	438,066
Weapons	105,048	-	-	-	-	-	105,048	(64,801)	-	-	(7,338)	-	(72,139)	32,909
Motor Vehicles	35,898,739	820,987	-	-	-	-	36,719,726	(16,246,984)	-	-	(5,197,832)	-	(21,444,816)	15,274,910
Land	4,788	-	-	-	-	-	4,788	-	-	-	-	-	-	4,788
	1,127,269	23,826	-	-	-	-	1,151,095	(1,123,918)	-	-	(23,795)	-	(1,147,713)	3,382
	64,116,989	1,965,909	-	-	-	-	66,082,898	(32,185,582)	-	-	(7,516,149)	-	(39,701,731)	26,381,167

Appendix B

June 2016

Analysis of property, plant and equipment as at 30 June 2015

Cost/Revaluation

Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	108,830,310	-	-	-	-	-	108,830,310	-	-	-	-	-	-	108,830,310
Infrastructure	1,984,073,135	144,483,683	(172,832)	-	-	-	2,128,383,986	(641,987,367)	67,496	-	(107,406,223)	(1,906,738)	(751,232,832)	1,377,151,154
Community Assets	79,824,810	-	-	-	-	-	79,824,810	(17,975,301)	-	-	(2,157,365)	-	(20,132,666)	59,692,144
Work in Progress	112,096,535	111,695,112	-	(140,720,059)	-	-	83,071,588	-	-	-	-	-	-	83,071,588
Leased Assets	11,984,909	473,702	-	-	-	-	12,458,611	(7,549,389)	-	-	(859,858)	-	(8,409,247)	4,049,364
Other assets	64,116,989	1,965,909	-	-	-	-	66,082,898	(32,185,582)	-	-	(7,516,149)	-	(39,701,731)	26,381,167
	2,360,926,688	258,618,406	(172,832)	(140,720,059)	-	-	2,478,652,203	(699,697,639)	67,496	-	(117,939,595)	(1,906,738)	(819,476,476)	1,659,175,727
Intangible assets														
Computer - Software	345,656	934,640	-	-	-	-	1,280,296	(189,422)	-	-	(250,694)	-	(440,116)	840,180
	345,656	934,640	-	-	-	-	1,280,296	(189,422)	-	-	(250,694)	-	(440,116)	840,180
Investment properties														
Investment property	182,157,000	9,348,000	(1,560,000)	-	-	-	189,945,000	-	-	-	-	-	-	189,945,000
	182,157,000	9,348,000	(1,560,000)	-	-	-	189,945,000	-	-	-	-	-	-	189,945,000
Total														
Land and buildings	108,830,310	-	-	-	-	-	108,830,310	-	-	-	-	-	-	108,830,310
Infrastructure	1,984,073,135	144,483,683	(172,832)	-	-	-	2,128,383,986	(641,987,367)	67,496	-	(107,406,223)	(1,906,738)	(751,232,832)	1,377,151,154
Community Assets	79,824,810	-	-	-	-	-	79,824,810	(17,975,301)	-	-	(2,157,365)	-	(20,132,666)	59,692,144
Work in Progress	112,096,535	111,695,112	-	(140,720,059)	-	-	83,071,588	-	-	-	-	-	-	83,071,588
Leased Assets	11,984,909	473,702	-	-	-	-	12,458,611	(7,549,389)	-	-	(859,858)	-	(8,409,247)	4,049,364
Other assets	64,116,989	1,965,909	-	-	-	-	66,082,898	(32,185,582)	-	-	(7,516,149)	-	(39,701,731)	26,381,167
Intangible assets	345,656	934,640	-	-	-	-	1,280,296	(189,422)	-	-	(250,694)	-	(440,116)	840,180
Investment properties	182,157,000	9,348,000	(1,560,000)	-	-	-	189,945,000	-	-	-	-	-	-	189,945,000
	2,543,429,344	268,901,046	(1,732,832)	(140,720,059)	-	-	2,669,877,499	(699,887,061)	67,496	-	(118,190,289)	(1,906,738)	(819,916,592)	1,849,960,907

Appendix C

June 2016

Segmental analysis of property, plant and equipment as at 30 June 2016 Cost/Revaluation Accumulated Depreciation

	Opening Balance	Additions	Disposals	Transfers	Write offs	Other changes, movements	Closing Balance	Opening Balance	Disposals	Write offs	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Municipality														
Mayors Office	417,230	50,400	-	-	(7,358)	-	460,272	(245,846)	-	7,358	(37,884)	-	(276,372)	183,900
Municipal Manager	884,034	52,959	-	-	(21,165)	-	915,828	(318,438)	-	19,587	(93,366)	-	(392,217)	523,611
Planning and Development	2,510,772	-	-	-	(13,679)	-	2,497,093	(1,050,974)	-	13,679	(222,352)	-	(1,259,647)	1,237,446
Financial Service	3,928,753	320,614	-	-	(53,382)	-	4,195,985	(2,572,503)	-	51,965	(439,267)	-	(2,959,805)	1,236,180
Corporate Service	3,285,163	543,876	-	-	(349,381)	-	3,479,658	(2,273,194)	-	316,098	(237,846)	-	(2,194,942)	1,284,716
Engineering Service	27,862,505	180,533	-	-	(190,894)	-	27,852,144	(15,093,093)	-	148,483	(2,580,622)	-	(17,525,232)	10,326,912
Community Service	17,206,957	474,407	-	-	(224,269)	-	17,457,095	(12,375,039)	-	214,962	(1,281,891)	-	(13,441,968)	4,015,127
Electrical Engineering	6,133,279	261,899	-	-	(111,342)	-	6,283,836	(3,710,856)	-	89,527	(620,503)	-	(4,241,832)	2,042,004
Infrastructure	2,128,383,986	79,582,218	-	-	-	-	2,207,966,204	(751,232,831)	-	-	(112,981,776)	(2,431,667)	(866,646,274)	1,341,319,930
Intangible	1,280,296	542,641	-	-	-	-	1,822,937	(440,116)	-	-	(792,332)	(9,365)	(1,241,813)	581,124
Land	108,830,310	-	-	-	-	-	108,830,310	-	-	-	-	-	-	108,830,310
Leased	12,458,611	-	-	-	(85,424)	-	12,373,187	(8,409,246)	-	85,424	(710,453)	-	(9,034,275)	3,338,912
Investment Properties	189,945,000	6,700,000	(1,400,000)	-	-	-	195,245,000	-	-	-	-	-	-	195,245,000
WIP	83,071,588	67,535,021	-	(91,096,135)	-	-	59,510,474	-	-	-	-	-	-	59,510,474
Disaster Management	1,754	-	-	-	-	-	1,754	(198)	-	-	(351)	-	(549)	1,205
Transport, Safety, Security and Liason	3,838,453	-	-	-	(5,392)	-	3,833,061	(2,047,594)	-	5,130	(250,679)	-	(2,293,143)	1,539,918
Community assets	79,824,810	23,838,570	-	-	-	-	103,663,380	(20,132,665)	-	-	(2,428,479)	-	(22,561,144)	81,102,236
	2,669,863,501	180,083,138	(1,400,000)	(91,096,135)	(1,062,286)	-	2,756,388,218	(819,902,593)	-	952,213	(122,677,801)	(2,441,032)	(944,069,213)	1,812,319,005

Appendix D

June 2016

Segmental Statement of Financial Performance for the year ended Prior Year Current Year

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
Municipality						
-	29,385,237	(29,385,237)	Executive & Council/Mayor and Council	-	36,484,493	(36,484,493)
363,880,570	169,692,540	194,188,030	Finance & Admin/Finance	527,506,888	178,546,261	348,960,627
8,164,155	19,204,761	(11,040,606)	Planning and Development/Economic Development/Plan	12,500,902	20,678,665	(8,177,763)
34,276	6,940,865	(6,906,589)	Health/Clinics	56,623	6,663,034	(6,606,411)
70,917	6,604,158	(6,533,241)	Comm. & Social/Libraries and archives	78,298	7,689,495	(7,611,197)
1,664,839	10,415,020	(8,750,181)	Housing	1,803,625	10,592,966	(8,789,341)
38,578,185	27,672,008	10,906,177	Public Safety/Police	34,984,150	25,993,996	8,990,154
52,804	19,854,859	(19,802,055)	Sport and Recreation	13,829,707	21,222,443	(7,392,736)
27,849,753	63,805,593	(35,955,840)	Waste Water Management/Sewerage	28,343,539	68,750,156	(40,406,617)
86,694,873	152,332,239	(65,637,366)	Road Transport/Roads	123,179,421	226,723,850	(103,544,429)
391,237,145	379,019,423	12,217,722	Electricity /Electricity Distribution	442,158,888	457,059,744	(14,900,856)
918,227,517	884,926,703	33,300,814		1,184,442,041	1,060,405,103	124,036,938

Appendix E(1)

June 2016

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2016

	Current year 2012 Act. Bal. Rand	Current year 2012 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Property rates	74,146,340	61,583,274	12,563,066	20.4	The increase is due to normal increases and the improvement of buildings
Service charges	450,104,469	483,425,954	(33,321,485)	(6.9)	The lower than expected revenue on service charges is due to lower than anticipated revenue billed for electricity
Property rates - penalties imposed	5,186,759	5,000,000	186,759	3.7	
Rental of facilities and equipment	1,333,677	959,100	374,577	39.1	Increase in lease payments
Interest received - outstanding receivable	12,312,153	11,400,000	912,153	8.0	
Income from agency services	8,004,170	43,192,708	(35,188,538)	(81.5)	The budgeted amount includes the revenue received on behalf of the agency which cannot be regarded as own revenue, only 20% is recognised as own revenue
Fines	35,496,947	3,705,136	31,791,811	858.0	The disclosure of fines has been done in accordance with GRAP and resulting in total fines issues disclosed.
Licences and permits	721,783	647,138	74,645	11.5	The variance is due to higher than expected revenue from the issuing of licenses and permits especially building plans approved and clearance certificates issued.
Government grants and subsidies	436,045,060	475,904,519	(39,859,459)	(8.4)	The budgeted amount includes the revenue for VAT which is regarded as own revenue
Other income	33,834,160	6,030,496	27,803,664	461.1	This higher than anticipated income is due to higher than expected revenue on almost all items especially stores handling fees and grant administration
Interest received - other	6,850,014	1,801,000	5,049,014	280.3	The increase is as a result of the annual additional investment acquired during the year and annual capitalisation of the interest earned on the investment
Donations income	20,406,510	-	20,406,510	-	Donated properties and equipment received from the provincial department and donors.
	1,084,442,042	1,093,649,325	(9,207,283)	(0.8)	
Expenses					
Employee cost	(258,534,209)	(269,728,265)	11,194,056	(4.2)	
Remuneration of councillors	(21,089,938)	(21,852,856)	762,918	(3.5)	
Depreciation	(122,677,802)	(123,228,464)	550,662	(0.4)	
Impairments	(2,441,031)	-	(2,441,031)	-	
Finance costs	(10,813,753)	(9,155,937)	(1,657,816)	18.1	the higher than anticipated finance cost is due to loans taken up to finance INEP projects as a front loading programme.
Debt impairment	(63,863,738)	(20,583,459)	(43,280,279)	210.3	The variance is due to the debt collection strategy. The impairment of traffic fines is however the highest contributing factor.
Collection costs	(2,151,410)	(200,000)	(1,951,410)	975.7	The overspending was due to the amount paid to debt collectors for legal fees.
Repairs and maintenance	(25,458,155)	(23,498,778)	(1,959,377)	8.3	
Bulk purchases	(301,974,600)	(307,100,624)	5,126,024	(1.7)	
Contracted Services	(38,524,348)	(42,208,872)	3,684,524	(8.7)	
Grants and subsidies paid	(130,745,851)	(74,414,146)	(56,331,705)	75.7	The huge increase is due to the roads constructed on behalf of RAL
General Expenses	(78,995,245)	(100,115,836)	21,120,591	(21.1)	The lower than anticipated spending is due to the under expenditure on the provincial vehicle licence fee
	(1,057,270,080)	(992,087,237)	(65,182,843)	6.6	
Other revenue and costs					
Gain or loss on disposal of assets	(1,989,023)	2,300,000	(4,289,023)	(186.5)	Disposal of investment property, stand held for sale and write offs during the year
Fair value adjustments	(1,146,000)	-	(1,146,000)	-	Dwarsfontein investment property fair valued by the valuator
	(3,135,023)	2,300,000	(5,435,023)	(236.3)	

Appendix E(1)

June 2016

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2016

	Current year 2012 Act. Bal.	Current year 2012 Adjusted budget	Variance	Explanation of Significant Variances greater than 10% versus Budget
Net surplus/ (deficit) for the year	24,036,939	103,862,088	(79,825,149)	(76.9)

Appendix E(2)

June 2016

Budget Analysis of Capital Expenditure as at 30 June 2016

	Additions	Revised Budget	Variance	Variance	Explanation of significant variances from budget
	Rand	Rand	Rand	%	
Municipality					
Finance & Admin/Finance	64,346	250,000	(185,654)	(74)	Delays in supply chain process
Planning and Economic Development	12,386,799	11,845,900	540,899	5	
Housing	858,201	1,800,000	(941,799)	(52)	Delays in supply chain process
Sport and Recreation	13,706,510	-	13,706,510	(100)	Donated properties received from the provincial department
Waste Management	144,178	160,000	(15,822)	(10)	
Road Transport	34,111,013	151,154,737	(117,043,724)	(77)	The budget amounts includes capital projects that are transferred to RAL during the year.
Electricity /Electricity Distribution	27,715,990	35,043,714	(7,327,724)	(21)	Delays in supply chain processes
	88,987,037	200,254,351	(111,267,314)	(56)	

Appendix G1

Budgeted Financial Performance (revenue and expenditure by standard classification) for the year ended 30 June 2016

	2016/2015							2015/2014							
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand		Rand	Rand	Rand	Rand	Rand	Rand
Revenue - Standard															
Governance and administration	369,988,731	1,052,647	371,041,378	-		371,041,378	427,506,886		56,465,508	115 %	116 %				363,880,57
Executive and council	1,100	-	1,100	-		1,100	-		(1,100)	- %	- %				-
Budget and treasury office	369,987,374	1,052,647	371,040,021	-		371,040,021	427,506,886		56,466,865	115 %	116 %				363,860,91
Corporate services	257	-	257	-		257	-		(257)	- %	- %				19,66
Community and public safety	5,354,460	-	5,354,460	-		5,354,460	50,752,403		45,397,943	948 %	948 %				40,401,02
Community and social services	114,469	-	114,469	-		114,469	78,298		(36,171)	68 %	68 %				70,91
Sport and recreation	502,766	-	502,766	-		502,766	13,829,707		13,326,941	2,751 %	2,751 %				52,80
Public safety	3,301,000	-	3,301,000	-		3,301,000	34,984,150		31,683,150	1,060 %	1,060 %				38,578,18
Housing	1,411,225	-	1,411,225	-		1,411,225	1,803,625		392,400	128 %	128 %				1,664,83
Health	25,000	-	25,000	-		25,000	56,623		31,623	226 %	226 %				34,27
Economic and environmental services	135,069,501	55,571,872	190,641,373	-		190,641,373	135,680,323		(54,961,050)	71 %	100 %				94,859,02
Planning and development	513,555	11,845,900	12,359,455	-		12,359,455	12,500,902		141,447	101 %	2,434 %				8,164,15
Road transport	134,555,946	43,725,972	178,281,918	-		178,281,918	123,179,421		(55,102,497)	69 %	92 %				86,694,87
Trading services	528,912,114	-	528,912,114	-		528,912,114	470,502,427		(58,409,687)	89 %	89 %				419,086,89
Electricity	493,770,114	-	493,770,114	-		493,770,114	442,158,888		(51,611,226)	90 %	90 %				391,237,14
Waste water management	35,142,000	-	35,142,000	-		35,142,000	28,343,539		(6,798,461)	81 %	81 %				27,849,75
Total Revenue - Standard	1,039,324,806	56,624,519	1,095,949,325	-		1,095,949,325	1,084,442,039		(11,507,286)	99 %	104 %				918,227,51

Appendix G1
Budgeted Financial Performance (revenue and expenditure by standard classification)
for the year ended 30 June 2016

	2016/2015					2015/2014									
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure - Standard															
Governance and administration	185,316,008	3,405,647	188,721,655	-	-	188,721,655	217,170,453	-	28,448,798	115 %	117 %	-	-	-	201,009,961
Executive and council	33,856,110	4,000,000	37,856,110	-	(459,000)	37,397,110	36,484,493	-	(912,617)	98 %	108 %	-	-	-	29,385,233
Budget and treasury office	77,692,817	402,647	78,095,464	-	(450,000)	77,645,464	87,694,813	-	10,049,349	113 %	113 %	-	-	-	85,361,771
Corporate services	73,767,081	(997,000)	72,770,081	-	1,172,000	73,942,081	92,991,147	-	19,049,066	126 %	126 %	-	-	-	86,262,941
Community and public safety	86,627,848	(250,000)	86,377,848	-	195,462	86,573,310	72,161,934	-	(14,411,376)	83 %	83 %	-	-	-	71,486,903
Community and social services	8,003,057	-	8,003,057	-	(31,800)	7,971,257	7,689,495	-	(281,762)	96 %	96 %	-	-	-	6,604,151
Sport and recreation	24,570,771	-	24,570,771	-	(399,000)	24,171,771	21,222,443	-	(2,949,328)	88 %	86 %	-	-	-	19,854,851
Public safety	30,944,086	(250,000)	30,694,086	-	572,500	31,266,586	25,993,996	-	(5,272,590)	83 %	84 %	-	-	-	27,672,000
Housing	15,478,249	-	15,478,249	-	(170,000)	15,308,249	10,592,966	-	(4,715,283)	69 %	68 %	-	-	-	10,415,021
Health	7,631,685	-	7,631,685	-	223,762	7,855,447	6,663,034	-	(1,192,413)	85 %	87 %	-	-	-	6,940,861
Economic and environmental services	174,204,450	(1,103,000)	173,101,450	-	(1,078,700)	172,022,750	245,262,815	-	73,240,065	143 %	141 %	-	-	-	169,604,811
Planning and development	19,056,770	192,903	19,249,673	-	(3,000)	19,246,673	18,538,965	-	(707,708)	96 %	97 %	-	-	-	17,272,571
Road transport	155,147,680	(1,295,903)	153,851,777	-	(1,075,700)	152,776,077	226,723,850	-	73,947,773	148 %	146 %	-	-	-	152,332,233
Trading services	513,586,284	30,300,000	543,886,284	-	620,238	544,506,522	525,809,898	-	(18,696,624)	97 %	102 %	-	-	-	442,825,011
Electricity	442,121,861	31,300,000	473,421,861	-	940,000	474,361,861	457,059,742	-	(17,302,119)	96 %	103 %	-	-	-	379,019,421
Waste water management	9,797,361	-	9,797,361	-	(159,682)	9,637,679	6,805,275	-	(2,832,404)	71 %	69 %	-	-	-	7,202,241
Waste management	61,667,062	(1,000,000)	60,667,062	-	(160,080)	60,506,982	61,944,881	-	1,437,899	102 %	100 %	-	-	-	56,603,351
Total Expenditure - Standard	959,734,590	32,352,647	992,087,237	-	-	992,087,237	1,060,405,100	-	68,317,863	107 %	110 %	-	-	-	884,926,700
Surplus/(Deficit) for the year	79,590,216	24,271,872	103,862,088	-		103,862,088	24,036,939		(79,825,149)	23 %	30 %				33,300,811

Appendix G2

Budgeted Financial Performance (revenue and expenditure by municipal vote) for the year ended 30 June 2016

	2016/2015						2015/2014					
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue by Vote												
Vote 2 - Planning & Economic Development	513,555	11,845,900	12,359,455		12,359,455	12,500,902	141,447	101 %	2,434 %			8,164,155
Vote 3 - Financial Services	369,987,374	1,052,647	371,040,021		371,040,021	427,506,886	56,466,865	115 %	116 %			363,860,910
Vote 4 - Corporate Services	1,357	-	1,357		1,357	-	(1,357)	- %	- %			19,660
Vote 5 - Community Services	82,300,081	-	82,300,081		82,300,081	83,708,219	1,408,138	102 %	102 %			81,234,908
Vote 7 - Electrical Engineering Services	493,770,114	-	493,770,114		493,770,114	442,158,888	(51,611,226)	90 %	90 %			391,937,145
Vote 8 - Engineering Services	92,752,325	43,725,972	136,478,297		136,478,297	118,567,144	(17,911,153)	87 %	128 %			73,710,739
Total Revenue by Vote	1,039,324,806	56,624,519	1,095,949,325		1,095,949,325	1,084,442,039	(11,507,286)	99 %	104 %			918,927,517
Expenditure by Vote to be appropriated												
Vote 1 - Municipal Manager	13,270,709	3,350,000	16,620,709	(45,000)	16,575,709	15,857,836	(717,873)	96 %	119 %	-	-	10,165,879
Vote 2 - Planning & Economic Development	24,886,442	192,903	25,079,345	(97,000)	24,982,345	27,687,017	2,704,672	111 %	111 %	2,704,673	(2,704,673)	24,342,137
Vote 3 - Financial	77,692,817	402,647	78,095,464	(450,000)	77,645,464	87,694,814	10,049,350	113 %	113 %	8,060,328	(8,060,328)	85,361,776
Vote 4 - Corporate services	86,116,576	(597,000)	85,519,576	902,000	86,421,576	100,946,456	14,524,880	117 %	117 %	14,524,880	(14,524,880)	102,098,206
Vote 5 - Community Services	181,957,459	(2,000,000)	179,957,459	(700,000)	179,257,459	148,600,878	(30,656,581)	83 %	82 %	-	-	141,705,179
Vote 7 - Electrical Engineering Services	442,121,861	31,300,000	473,421,861	940,000	474,361,861	457,059,742	(17,302,119)	96 %	103 %	-	-	379,019,427
Vote 8 - Engineering Services	133,688,726	(295,903)	133,392,823	(550,000)	132,842,823	222,558,357	89,715,534	168 %	166 %	89,715,534	(89,715,534)	142,234,098
Total Expenditure by Vote	959,734,590	32,352,647	992,087,237	-	992,087,237	1,060,405,100	68,317,863	107 %	110 %	115,005,415	(115,005,415)	884,926,702
Surplus/(Deficit) for the year	79,590,216	24,271,872	103,862,088		103,862,088	24,036,939	(79,825,149)	23 %	30 %			34,000,815

Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2016

	2016/2015								2015/2014						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand		Rand	Rand	Rand	Rand	Rand	Rand
Revenue By Source															
Property rates	61,583,274	-	61,583,274	-		61,583,274	74,146,340		12,563,066	120 %	120 %				74,098,025
Property rates - penalties & collection charges	5,000,000	-	5,000,000	-		5,000,000	5,186,759		186,759	104 %	104 %				5,368,139
Service charges - electricity revenue	458,770,114	-	458,770,114	-		458,770,114	421,446,731		(37,323,383)	92 %	92 %				380,350,486
Service charges - refuse revenue	23,300,000	-	23,300,000	-		23,300,000	26,475,760		3,175,760	114 %	114 %				25,815,532
Service charges - other	1,355,840	-	1,355,840	-		1,355,840	2,181,977		826,137	161 %	161 %				814,690
Rental of facilities and equipment	959,100	-	959,100	-		959,100	1,333,677		374,577	139 %	139 %				1,188,589
Interest earned - external investments	1,801,000	-	1,801,000	-		1,801,000	6,850,014		5,049,014	380 %	380 %				2,381,124
Interest earned - outstanding debtors	11,400,000	-	11,400,000	-		11,400,000	12,312,153		912,153	108 %	108 %				12,057,486
Fines	3,705,136	-	3,705,136	-		3,705,136	35,496,947		31,791,811	958 %	958 %				39,119,913
Licences and permits	647,138	-	647,138	-		647,138	721,783		74,645	112 %	112 %				711,014
Agency services	43,192,708	-	43,192,708	-		43,192,708	8,004,170		(35,188,538)	19 %	19 %				7,205,556
Transfers recognised - operational	327,648,549	1,052,647	328,701,196	-		328,701,196	309,529,817		(19,171,379)	94 %	94 %				245,061,646
Other revenue	6,030,496	-	6,030,496	-		6,030,496	33,834,159		27,803,663	561 %	561 %				38,109,743
Gains on disposal of PPE	2,300,000	-	2,300,000	-		2,300,000	-		(2,300,000)	- %	- %				-
Total Revenue (excluding capital transfers and contributions)	947,693,355	1,052,647	948,746,002	-		948,746,002	937,520,287		(11,225,715)	99 %	99 %				832,281,943

Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2016

2016/2015										2015/2014				
Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand

Appendix G4

Budgeted Capital Expenditure by vote, standard classification and funding

for the year ended 30 June 2016

	2016/2015								2015/2014						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital expenditure - Vote															
Multi-year expenditure															
Example 1 - Vote1	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 2 - Vote2	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 3 - Vote3	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 4 - Vote4	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 5 - Vote5	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 6 - Vote6	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 7 - Vote7	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 8 - Vote8	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 9 - Vote9	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 10 - Vote10	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 11 - Vote11	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 12 - Vote12	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 13 - Vote13	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 14 - Vote14	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 15 - Vote15	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Capital multi-year expenditure sub-total	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Single-year expenditure															
Vote 1 - Municipal Manager	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	4,552
Vote 2 - Planning and economic development	1,150,000	10,945,900	12,095,900	-	-	12,095,900	12,386,799	-	290,899	102 %	1,077 %	-	-	-	12,464,289
Vote 3 - Financial Services	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	64,166
Vote 4 - Corporate Services	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	2,572,301
Vote 5 - Community Services	-	160,000	160,000	-	-	160,000	13,850,687	-	13,690,687	8,657 %	DIV/0 %	-	-	-	75,014
Example 6 - Vote6	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Vote 7 - Electrical Engineering Services	35,793,714	(750,000)	35,043,714	-	-	35,043,714	27,608,504	-	(7,435,210)	79 %	77 %	-	-	-	17,731,448
Vote 8 - Enineering Services	107,738,765	45,215,972	152,954,737	-	-	152,954,737	124,609,216	-	(28,345,521)	81 %	116 %	-	-	-	95,307,421
Vote 9 - GTEDA	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 10 - Vote10	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 11 - Vote11	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 12 - Vote12	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 13 - Vote13	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 14 - Vote14	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 15 - Vote15	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Capital single-year expenditure sub-total	144,682,479	55,571,872	200,254,351	-	-	200,254,351	178,455,206	-	(21,799,145)	89 %	123 %	-	-	-	-
Total Capital Expenditure - Vote	144,682,479	55,571,872	200,254,351	-	-	200,254,351	178,455,206	-	(21,799,145)	89 %	123 %	-	-	-	-

Appendix G4

Budgeted Capital Expenditure by vote, standard classification and funding

for the year ended 30 June 2016

2016/2015										2015/2014				
Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital Expenditure - Standard														
Governance and administration	1,150,000	(900,000)	250,000	-	-	250,000	300,273	-	50,273	120 %	26 %	-	-	11,989,019
Executive and council	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	4,552
Budget and treasury office	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	64,166
Corporate services	1,150,000	(900,000)	250,000	-	250,000	300,273	-	50,273	120 %	26 %	-	-	-	11,920,301
Community and public safety	1,300,000	500,000	1,800,000	-	1,800,000	14,568,407	-	12,768,407	809 %	1,121 %	-	-	-	342,105
Community and social services	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-
Sport and recreation	-	-	-	-	-	13,710,206	-	13,710,206	DIV/0 %	DIV/0 %	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-
Housing	1,300,000	500,000	1,800,000	-	1,800,000	858,201	-	(941,799)	48 %	66 %	-	-	-	342,105
Health	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-
Economic and environmental services	106,438,765	56,561,872	163,000,637	-	163,000,637	46,533,826	-	(116,466,811)	29 %	44 %	-	-	-	98,081,606
Planning and development	-	11,845,900	11,845,900	-	11,845,900	12,386,799	-	540,899	105 %	DIV/0 %	-	-	-	3,116,289
Road transport	106,438,765	44,715,972	151,154,737	-	151,154,737	34,147,027	-	(117,007,710)	23 %	32 %	-	-	-	94,965,317
Environmental protection	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-
Trading services	35,793,714	(590,000)	35,203,714	-	35,203,714	27,584,531	-	(7,619,183)	78 %	77 %	-	-	-	17,806,462
Electricity	35,793,714	(750,000)	35,043,714	-	35,043,714	27,452,991	-	(7,590,723)	78 %	77 %	-	-	-	17,731,448
Water	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-
Waste water management	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-
Waste management	-	160,000	160,000	-	160,000	131,540	-	(28,460)	82 %	DIV/0 %	-	-	-	75,014
Other	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-
Total Capital Expenditure - Standard	144,682,479	55,571,872	200,254,351	-	-	200,254,351	88,987,037	-	(111,267,314)	44 %	62 %	-	-	128,219,192
Funded by:														
National Government	91,631,451	55,571,872	147,203,323	-		147,203,323	37,202,586		(110,000,737)	25 %	41 %			84,326,998
Provincial Government	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %			-
District Municipality	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %			-
Other transfers and grants	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %			-
Transfers recognised - capital	91,631,451	55,571,872	147,203,323	-		147,203,323	37,202,586		(110,000,737)	25 %	41 %			84,326,998
Public contributions & donations	-	-	-	-		-	20,406,510		20,406,510	DIV/0 %	DIV/0 %			-
Borrowing	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %			-
Internally generated funds	53,051,028	-	53,051,028	-		53,051,028	31,377,941		(21,673,087)	59 %	59 %			43,892,194
Total Capital Funding	144,682,479	55,571,872	200,254,351	-		200,254,351	88,987,037		(111,267,314)	44 %	62 %			128,219,192

Appendix G5

Budgeted Cash Flows

for the year ended 30 June 2016

	2016/2015						2015		
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Final Budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Cash flow from operating activities									
Receipts									
Taxation	56,595,783	-	56,595,783	56,595,783	64,262,938	7,667,155	114 %	114 %	68,285,946
Sale of goods and services	454,780,030	-	454,780,030	454,780,030	497,523,860	42,743,830	109 %	109 %	476,309,430
Grants	419,280,000	-	419,280,000	419,280,000	439,111,127	19,831,127	105 %	105 %	374,560,491
Interest	6,960,700	-	6,960,700	6,960,700	6,850,014	(110,686)	98 %	98 %	2,381,124
Dividends	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Payments									
Employee cost	(269,728,265)	-	(269,728,265)	(269,728,265)	(270,022,277)	(294,012)	100 %	100 %	(252,486,182)
Suppliers	(534,323,787)	(28,057,097)	(562,380,884)	(562,380,884)	(558,267,240)	4,113,644	99 %	104 %	(496,438,314)
Finance cost	(9,155,937)	(2,400,000)	(11,555,937)	(11,555,937)	(10,483,225)	1,072,712	91 %	114 %	(10,287,956)
Net cash flow from/used operating activities	124,408,524	(30,457,097)	93,951,427	93,951,427	168,975,197	75,023,770	180 %	136 %	162,324,539
Cash flow from investing activities									
Additions property, plants and equipments									
	(122,812,469)	(30,000,000)	(152,812,469)	(152,812,469)	(258,866,360)	(106,053,891)	169 %	211 %	(273,178,410)
Transfers from Work in Progress	-	-	-	-	91,096,105	91,096,105	DIV/0 %	DIV/0 %	140,720,059
Proceeds on disposal of property, plant and equipment	2,300,000	-	2,300,000	2,300,000	-	(2,300,000)	- %	- %	105,336
Loss on disposal of property, plant and equipment	-	-	-	-	(1,878,950)	(1,878,950)	DIV/0 %	DIV/0 %	(1,753,066)
Additions to investment property	-	-	-	-	(6,700,000)	(6,700,000)	DIV/0 %	DIV/0 %	(9,348,000)
Proceeds from sale of investment property	-	-	-	-	1,400,000	1,400,000	DIV/0 %	DIV/0 %	1,560,000
Additions to intangible assets	-	-	-	-	(542,641)	(542,641)	DIV/0 %	DIV/0 %	(934,641)
Increase in financial assets	-	-	-	-	(14,044,174)	(14,044,174)	DIV/0 %	DIV/0 %	(1,371,108)
Net cash flow from/used investing activities	(120,512,469)	(30,000,000)	(150,512,469)	(150,512,469)	(189,536,020)	(39,023,551)	126 %	157 %	(144,199,830)
Cash flow from financing activities									
Repayment of other other financial liabilities									
	(14,552,662)	61,300,000	46,747,338	46,747,338	47,860,153	1,112,815	102 %	(329)%	(12,014,681)
Finance lease payments	-	-	-	-	(907,408)	(907,408)	DIV/0 %	DIV/0 %	(1,954,571)
Increase (decrease) in consumer deposits	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Payments									
Repayment of borrowing	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Net cash flow from/used financing activities	(14,552,662)	61,300,000	46,747,338	46,747,338	46,952,745	205,407	100 %	(323)%	(13,969,252)
Net increase/(decrease) in cash held	(10,656,607)	842,903	(9,813,704)	(9,813,704)	26,391,922	36,205,626	(269)%	(248)%	4,155,457
Cash/cash equivalents at the year begin:					554,059,030				32,822,041

Appendix G5
Budgeted Cash Flows
for the year ended 30 June 2016

	2016/2015						2015		
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Final Budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Cash/cash equivalents at the year end:	(10,656,607)	842,903	(9,813,704)	(9,813,704)	580,450,952	36,205,626	(5,915)%	(5,447)%	